

# FINANCIAL TIMES

Europe's Business Newspaper

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## World Bank urges China to maintain anti-inflation fight

The World Bank has urged China to stay the course in its inflation fight and has warned of the risks of a painful retrenchment if credit restrictions are eased prematurely.

The assessment seemed designed to bolster the arguments of those in the Chinese leadership advocating continued restraint. Page 16

**VW may scrap spot welding:** Volkswagen is considering progressively scrapping spot welding as a way of joining car body panels in favour of a self-piercing riveting process developed with a small Welsh company. Page 16; Rivet pioneers set sights on car industry. Page 7

**Boost for Clarke:** UK Chancellor of the Exchequer Kenneth Clarke was given a fillip before today's budget with further evidence that the UK economic recovery is continuing. Page 7

**Deutsche Bank:** one of the main critics of the restructuring plan for Italy's troubled Ferruzzi group, broke ranks with other leading foreign creditors and accepted the proposals. Page 17

**'Super shares' opposed:** Fund managers and members of Australia's securities industry are strongly opposed to shares with "super voting rights", according to a poll which represents a further blow to the plans of Rupert Murdoch's News Corporation for an issue of shares with enhanced voting rights. Page 17

**Sabena:** Belgian state carrier, is to strengthen its links with Delta Air Lines of the US, including sharing the Brussels-New York route. Page 17

**EU puts forward Bosnia peace plan:** Croat president Franjo Tudjman (left) looks at a map of Bosnia at the start of peace talks in Geneva during which European Union foreign ministers put forward their "action plan" to end the war in Bosnia. They vowed not to lift sanctions against Serb-led Yugoslavia until Bosnian Serbs handed over land to their Muslim adversaries. Mr Tudjman reportedly gave his support to the EU plan. Page 3



**New oil lows:** Oil prices tested new five-year lows as markets continued to react to last week's decision by the Organisation of Petroleum Exporting Countries not to cut output. Page 32

**Threat to Mideast deal:** A fortnight before Israel is due to begin pulling troops out of the Gaza Strip and the West Bank's Jericho region, dissident members of the PLO's mainstream Fatah faction threatened to resume the armed struggle, and Israeli and PLO negotiators remained at loggerheads over crucial issues. Page 4

**UK 'tunnel of fear':** Three-quarters of UK adults are unlikely to use the Anglo-French Channel tunnel, according to a survey which shows that fear is a large element of their hostility towards the service, due to start next year. Page 7

**Farm policy attacked:** Austria and Finland have attacked the European Commission's proposals on farm support for prospective members of the European Union. Page 16

**Pressure on Japan's carmakers:** Japanese carmakers are coming under increasing pressure to consolidate their activities, amid a continuing slide in personal spending at home, the impact of the high yen overseas and the increased competitiveness of US manufacturers in the US. Page 4

**Escobar family 'sent back':** The Bonn government put the family of fugitive Colombian drug baron Pablo Escobar on a flight back to Bogotá from Frankfurt after they had flown there at the weekend in an attempt to find a safe haven in Germany, airport sources said.

**Worries on trade talks:** Diplomats voiced fears that differences between the US and the European Union could sabotage ambitious plans to liberalise services in the Uruguay Round of trade talks. Page 6; Gatt reports. Page 6

**FT statistics:** The FT Guide to World Currencies, which used to appear on Tuesdays, is now published in Monday's paper. International economic indicators, which used to appear on Mondays are now in Tuesday's FT. Today they appear on Page 25.

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## Peace 'a prize worth risks' Documents outline secret contacts

# UK open to Sinn Féin talks

By Philip Stephens in London, Jimmy Burns in Belfast and Tim Cooney in Dublin

The British government last night declared it was ready to reopen contacts with Sinn Féin, the political wing of the Irish Republican Army, as hitherto secret documents suggested that the IRA had been on the brink of ending its 25-year campaign of violence in Northern Ireland.

Sir Patrick Mayhew, Britain's Northern Ireland secretary, gave an unapologetic defence of extensive secret contacts between the UK and Sinn Féin earlier this year. He said: "Peace, properly attained, is a prize worth risks".

This reinforced the impression in London that Mr John Major, the UK prime minister, believes the IRA might lay down its arms. The optimism was echoed by Mr Albert Reynolds, the Irish prime minister, who said there had already been a marked de-escalation of violence in recent weeks.

Papers released by the UK's Northern Ireland Office suggested there had been no large IRA attacks since November 12. Mr Major's office indicated that a declared cessation of violence lasting for two months might provide the background for formal talks with Sinn Féin.

That in turn raised hopes that Mr Major and Mr Reynolds might inject new momentum into the peace process in an Anglo-Irish summit which might still take place as early as Friday.

Sir Patrick's comments came after the startling disclosure that the UK government would have opened a dialogue with Sinn Féin as early as January 1994 if the IRA had kept an apparent pledge in early November to end its campaign. But Britain's account of the messages the two sides exchanged between February and

'The conflict is over but we need your advice on how to bring it to a close'

FEB 22 1993: message from Provisional IRA leadership

'We understand and appreciate the seriousness of what has been said. We wish to take it seriously'

FEB 26 1993: British message

'We believe the country could be at the point of no return'

NOV 2 1993: IRA message to the UK government, three days after unidentified gunmen killed seven in an Ulster pub

'If a genuine end to violence is brought about within the next few days, a first meeting for exploratory dialogue would take place within a week of parliament's return in January'

NOV 5 1993: UK gov't document

November was challenged vigorously by Sinn Féin.

Mr Martin McGuinness, the leading Sinn Féin member involved in the contacts, accused Mr Major of fabricating some of the 30 or so pages of documents released in London.

Most of the messages conveyed by what the documents refer to as "The Provisional Movement" also suggest that the IRA had not shifted from its position that Mr Major must accept that Ulster will eventually be



Sir Patrick Mayhew (left) in the Commons. In Belfast, Gerry Adams gives a statement of the secret talks

Secret contacts — Page 7

part of a united Ireland. Sir Patrick said that if the IRA ended the violence permanently the way would still be open for Sinn Féin to enter the political arena". He insisted that the UK government's basic conditions for bringing Sinn Féin into the political process had not changed.

The IRA would have to offer a permanent and demonstrable end to terrorism and the British government would not drop its constitutional guarantee of the status of Northern Ireland.

But Sir Patrick said the offer had been in response to an explicit demand from the IRA to enter into a "dialogue" with the UK.

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## EU airline crisis: cut capacity or end state aid?

By David Gardner in Brussels

France and the UK will today set out widely opposing views on how the European Union should respond to the financial crisis in Europe's airlines. Paris will call for capacity-sharing and an EU-backed plan to reduce capacity, while London will insist on an end to state aid.

Both members are due to present papers at a ministerial debate in Brussels preparing the ground for a report due in January on the future of the airline industry.

An losses among Europe's flag carriers' grow, pressure is increasing to roll back some of the deregulation measures put in place over the past seven years.

The European Commission is firmly opposing any return to the old cartel structure of European air transport, with carriers colluding on setting fares and sharing passenger loads.

But Brussels still has to adjudicate on a request of member government requests to inject finance into national airlines, including Air France.

The French paper says Europe is in danger of losing control over the airline industry in "a downward spiral of lower fares and over-increasing losses" — over Ecu3.5bn (\$4bn) on international business alone in the past three years.

European carriers have seen their share of international air traffic fall from 58.5 per cent in 1973 to 32.3 per cent last year. The number of flights using French airports increased by 54 per cent in 1992-93, but passenger numbers rose by only 33 per cent. The percentage of total capacity filled by airlines — the load factor — fell from 64 to 59 per cent over the same period.

The French paper says capacity falls below airlines, and a Paris plan to cut capacity.

In the short term, France is seeking an EU-wide crisis plan to speed up the pace at which older aircraft are taken out of service.

"The Council of Ministers [at the

Continued from Page 16

## Bank lenders to probe Euro Disney finances

By Alice Rawsthorn in Paris

Audit will pave way for emergency restructuring

Euro Disney's bank lenders plan to commission a special investigative audit of the troubled leisure group's finances to prepare for negotiations leading to an emergency financial restructuring.

Walt Disney, the US entertainment company that owns 49 per cent of Euro Disney, presented its assessment of the company's finances this month to the 60 international banks within the lending syndicate. The banks now want to appoint their own team of investigators.

"It's not that we have any doubts about the accuracy of Disney's figures," said one senior banker in the syndicate. "But the condition of Euro Disney has changed so dramatically since we first negotiated our loans (in the

late 1980s) that we need to have our own numbers."

The team is expected to be named in Paris this week. The banks hope the audit will be completed before Christmas so they can start intensive discussions early next year with Euro Disney and its US parent.

Euro Disney desperately needs to restructure its finances. It has been badly affected by the European recession and recently announced a net loss of FF5.5bn (\$800m) for the year to September 3. There are fears that the group could face a cash crisis early next year, but Walt Disney is struggling financially until 1994.

The Disney camp's exchange suade the bank's FF20.5bn net debt for equity, as part of the restructuring package which could also involve a rights issue.

The final composition of the package, however, will be influenced by the value of Euro Disney's shares, which have fallen steeply in recent weeks from recovered yesterday's £1.75.

The banks' lender bank, Crédit Agricole of Tokyo and Crédit Agricole, are now close to a single step-down arrangement co-ordinated negotiations with the Disney camp.

At present the banks are divided into two main groups. One syndicate, led by Banque Nationale de Paris, represents the 39 institutions that helped to

finance the construction of the EuroDisneyland theme park.

The second syndicate, with Banque Paribas at its head, holds capital for the Euro Disney hotels. Some banks are members of both groups.

But the banks are

have a principle to create a single lending committee, to be led by the BNP or Indosuez.

Euro Disney and Walt Disney will continue, meanwhile, to negotiate a package of measures that despatch the financial crisis of French Disneyland.

World stocks, Section II

## Share plunge fails to prompt Japanese government action

By William D. Jones in Tokyo

The Japanese government has failed to take any action to lift prices. "Supply and demand are up to the market, so we will continue to monitor it," said Mr Hosokawa.

Senior finance ministry and central bank officials admitted they were worried about the fall to share prices but planned no direct action.

"We will use all means at our disposal, political, fiscal and tax, to help the economy," said Mr Masayoshi Takemura, chief cabinet secretary. "The level of stock prices is not something the government should act on directly."

Last week's string of poor banking results and mounting bad debts were factors in the share price fall. There was also growing disappointment that the government has not yet specified a date or amount for an income tax cut, widely believed to be the only way to stimulate depressed consumer spending. The coalition is divided on how to fund an income tax cut.

"This is one of those very rare times when monetary policy is not working," said Mr Richard Koo, senior economist at Nomura Research Institute, referring to Japan's record low interest rates. "Now it is time for fiscal policy to act."

On average, Japanese companies reported a 23 per cent decline in pre-tax profits for the six months to September and expect profits to fall by 22 per cent in the full year to next March, the Wako Research Institute of Economics said.

An increasing number of companies are cutting jobs or pay to cope, predicting another drag on growth. Half Japanese manufacturers cut overtime, hired fewer people or reallocated staff in the three months to September, up from 40 per cent in the previous quarter, said the Labour Ministry.

Markets, Section II

STOCK MARKET INDICES			
FTSE 100	3155.8	+24.6	
Yield	3.75		
FTSE Eurostoxx 100	1342.70	+1.50	
FTSE AEX	1542.27	+0.70	
Nikkei	16,073.71	+47.66	
New York			
Dow Jones Ind	4,866.78		
S&P Composite	464.79		
US LAUNCHTIME RATES			
Federal Funds	5.25%		
3-mo T-bill	5.25%		
100-day	5.25%		
Yield	5.15%		
LONDON MONEY			
3-mo interest	5.25%		
Life long-term	5.25%		
NORTH SEA OIL (Avg)			
Jan 15-day (Jan)	\$51.43		
Jan 15-day (Jan)	\$51.43		
Gold			
New York Comex (Dec)	\$388.4		
London	\$371.25		

Australia	624.30	Germany	143.00	Italy	1,708.00	Spain	1,711.00
Belgium	143.00	Hong Kong	143.00	Japan	1,708.00	Sweden	1,711.00
Canada	624.30	India	143.00	UK	1,708.00	Switzerland	1,711.00
France	143.00	Indonesia	143.00	USA	1,708.00	Taiwan	1,711.00
Germany	143.00	Italy	1,708.00	South Africa	1,711.00	Thailand	1,711.00
Greece	143.00	Japan	1,708.00	Spain	1,711.00	Turkey	1,711.00
Hong Kong	143.00	UK	1,708.00	Sweden	1,711.00	USA	1,708.00
India	143.00	USA	1,708.00	Switzerland	1,711.00		
Indonesia	143.00			Taiwan	1,711.00		
Italy	1,708.00			Thailand	1,711.00		
Japan	1,708.00			Turkey	1,711.00		
UK	1,708.00			USA	1,708.00		
USA	1,708.00						
South Africa	1,711.00						
Spain	1,711.00						
Sweden	1,711.00						
Switzerland	1,711.00						
Taiwan	1,711.00						
Thailand	1,711.00						
Turkey	1,711.00						
USA	1,708.00						

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## NEWS: EUROPE

## Superstate nightmare troubles Hurd

By Gillian Triggs

Mr Douglas Hurd, Britain's foreign secretary, yesterday criticised what he called the "nightmare" scenario of a European superstate, and declared he was confident that the "centralising tendency" in Europe was at an end.

Speaking in Bologna, Italy, in his first important speech on Europe since the German constitutional court ratified the Maastricht treaty last month, Mr Hurd insisted that the principle of subsidiarity should now be the touchstone for the European Union.

"Subsidiarity is not only about rolling back the frontiers of the Community, where there have advanced beyond common sense; it also means moving forward with a lightness of touch," Mr Hurd said in comments which resonated with the British government's relief that the pace of European integration had faltered in recent months.

Legislation was a key area where the powers of Europe should be trimmed, since EU legislation had now become so intrusive and extensive that it risked devaluing the EU's reputation, Mr Hurd said. He insisted Community legislation should be introduced only when it would do the "least possible violence" to national legal systems.

Foreign policy and employment law had to remain firmly in the domain of sovereign governments.

The narrowness of Maastricht ratification in Denmark, France, Britain and Germany served as a clear warning that "sharing of sovereignty and centralising tendency, has for the time being run its course", he said, citing labour costs and trade barriers as the key challenges now facing Europe.

## Moldova brings in new currency

Moldova yesterday broke away from the Russian rouble zone and introduced its own currency, the leu, as the centrepiece of the government's new shock therapy reform programme, writes Jill Barshay in Kishinev.

Armoured trucks yesterday distributed 700 lei to Moldovans, who are meant to change up to 70,000 converted rouble currency accounts.

In the confused period being up to the leu's introduction, the coupon has fallen dramatically on Kishinev's currency exchange auction, at which 11 banks that trade about \$500,000 each week determine the Moldovan currency's exchange rate. The rate is currently 3,850 coupons or 3.85 lei to the \$.

## Spain angered by Belgian action over terrorist suspects

# EU row blocks progress on asylum

By David Gardner in Brussels

Hopes that the European Union would speed up its faltering steps towards a common policy on asylum for non-EU nationals were blocked by a row about asylum for alleged Basque terrorists in Belgium.

Spain placed a general reserve on nine places of the asylum policy jigsaw. It argued angrily that Belgium's decision to consider two wanted members of the Basque separatist organisation Eta as possibly eligible for refugee status meant there was insufficient

confidence between member states in each other's judicial institutions to proceed to a broader common policy.

The two suspects are wanted on suspicion of providing infrastructure for a separatist commando unit. They were arrested in Brussels in June, but lawyers acting for them have applied to Belgium's commissioner for refugees, who is independent of the government and has yet to pronounce.

The Dutch were also unable to agree on the asylum proposals, because almost alone among member states, they are

obliged to inform their national parliament on the secretive deliberations of EU interior ministers.

Justice ministers, meeting for the first time yesterday as a formal EU council of ministers following the entry into force of the Maastricht treaty, did agree to seek a common approach to extradition which would effectively rule out any future political defence for criminal action inside the EU.

But, for the moment, 11 member states are signed up to a separate Council of Europe convention which does allow

for "political infractions", the exception, ironically, is Belgium, which can not sign the convention because it retains the death penalty, although without applying it.

Ministers got further entangled yesterday when Spain also placed a reserve on setting up the establishment of the trade marks processing operation, which was allocated to Alicante, in Spain.

The European problem risks hindering the operations of a drugs unit set up earlier this year to develop a combined European strategy against narcotics trafficking.

objected that last month's summit, which had reduced the number of official EU languages to be used by the new European trade marks office from nine to three (French, English, German, Italian and Spanish). This is holding up the establishment of the trade marks processing operation, which was allocated to Alicante, in Spain.

The European problem risks hindering the operations of a drugs unit set up earlier this year to develop a combined European strategy against narcotics trafficking.

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## Russia restores import tariffs on some foods

By John Lloyd in Moscow

Russia is to reimpose import tariffs on a range of imported foodstuffs next month, Mr Yegor Gaidar, the first deputy prime minister, said yesterday.

Mr Gaidar said the move would be a further sign of an increasing tendency on behalf of the government, including reformist leaders like Mr Gaidar, to protect Russian industry from foreign competition at a time when the demands of industrial lobbies are being pushed hard.

Mr Gaidar, as head of the Russia's Choice political group, is particularly vulnerable to calls for protection - having already promised the commercial banks relief from competition from foreign entrants to the Russian banking market.

A gathering of business leaders in the Enterprises for a New Russia group which supports the Party of Russian Unity and Agreement, yesterday called for further protection for the fledgling private businesses - and for a relief from taxes which, the group's leaders said, sometimes surpassed the level of profits.

Mr Gaidar said that "with a responsible majority" in parliament, inflation could quickly be brought down to around 15 per cent a month from its present levels of more than 20 per cent a month.

At the same time, the budget

deficit for the last quarter of this year, which it had been hoped would be contained to Rb5,500bn, is set to grow to more than Rb10,000bn, according to Mr Oleg Soskovets, another first deputy prime minister. Part of the increase, he said, was because of miners threatening to strike over unpaid wages, and to make good the debts of enterprises.

The cabinet is now showing considerable signs of disarray, as ministers - who have become leading figures in competing political group - find themselves unable to keep their differences out of the business of government.

Two leading ministers - Mr Boris Fyodorov, the deputy prime minister for finance, and Mr Alexander Shokhin, deputy prime minister for foreign economic relations, are clashing over which of them now has responsibility for talks on debt and on relations with the international financial institutions such as the International Monetary Fund and the World Bank.

The latest opinion poll for the election, from the All-Russia Centre for Research into Public Opinion, suggests Russia's Choice has a strong lead of 25.7 per cent - with the Yabloko bloc of Mr Grigory Yavlinsky at 17.9 per cent, the Communist party on 6.8 per cent, the Democratic party on 6.1 per cent, and the remaining nine parties far behind.

## Belgium wants stronger role for EMI

By Lionel Barber in Brussels

The Belgian presidency of the European Union yesterday called for a stronger role for the European monetary institute in the co-ordination of monetary policies and the management of the exchange rate mechanism.

Mr Philippe Maystadt, Belgian finance minister, said the

ERM crisis and introduction of wider fluctuation bands last summer made closer co-operation imperative. Without "a significant" qualitative improvement in this area, the goal of monetary union by the decade's end could be at risk.

In a speech to the European Finance Convention in Brussels, Mr Maystadt also admitted that the January 1, 1993,

deadline was more realistic than the original 1997.

He offered several proposals for filling the political vacuum in the wake of the August crisis which led to the introduction of 15 per cent fluctuation bands for ERM currencies.

● The EMI should be given "an explicit role" in decisions leading to the entry or realignment of an ERM currency.

● States with low inflation might consider aligning their monetary policies to a "common intermediate target", in which case the EMI might be allowed to issue joint statements on national policy decisions taken by central banks in this low-inflation zone.

● The ERM should be strengthened, possibly through a more equitable

sharing of potential exchange rate losses arising from open-ended interventions. This is a response to Bundesbank criticism that its obligations to defend other currencies was undermining its domestic monetary policies.

The Belgian presidency is worried that ERM stage two could be a dead letter without an effective ERM.

## Romanian unions in new strike

By Virginia Marsh in Bucharest

Thousands of Romanian trade union members yesterday threatened to launch a general strike and demanded the resignation of the government in the second large union action in 10 days.

Two of Romania's largest union confederations, called out thousands of members in Bucharest and other large towns in protest at an inadequate minimum wage, unemployment, corruption, the government's lack of a programme to relaunch the economy and its failure to achieve a dialogue with the unions.

Central bank officials said the increased labour militancy was "ominous" and warned that further pay increases would fuel already spiralling inflation. The statistics commission said yesterday year-on-year consumer price inflation jumped to 315 per cent in October, its highest in three years.



A German-registered car turns back after trying to cross the border at Nieuwe Schans in the northern Netherlands, German farmers angry over imports of Dutch pork and lost incomes blocked at the frontier with thousands of tractors yesterday.

## Kohl's party tries to avoid state poll

By Judy Dempsey in Berlin

Chancellor Helmut Kohl's governing Christian Democrats will try to prevent an early election in the eastern state of Saxony-Anhalt after a financial scandal precipitated the resignation of the entire government at the weekend.

Elections are not due until next June as part of a marathon of federal and state elections being held against a background of declining support for the established political parties, in western, and

particularly in eastern Germany.

Instead, the CDU, in an attempt to limit the political damage, has nominated Mr Christoph Berner to replace Mr Werner Münch, the outgoing prime minister of Saxony-Anhalt, and form a new government.

The state audit office had last week confirmed that Mr Münch and three other west German ministers together paid themselves in excess of DM9,000,000 (\$532,500) over a period of two years.

## Polish sell-off runners under starter's orders

### Christophe Robinski on the privatisation scheme

As an investment bank or consultants working together with local banks and consulting companies as well as accounting firms and lawyers.

A 19-person selection committee appointed by the prime minister, parliament and the trade unions will sift the applications and produce a list of applicants in order of merit with whom the privatisation minister will then negotiate final terms.

At the moment a list of 367 state sector companies is ready for inclusion in the scheme and new tranches are being prepared. The selection committee, which is being reappointed by the new prime minister, Mr Waldemar Pawlak, is expected to finish its work early in the new year. The funds should be up and running several months after that.

The new government, like its predecessors, is also looking to the European Bank for Reconstruction and Development to provide around \$400m in loans to the companies involved.

Other potential lenders in the government's sights are the European Investment Bank, the International Finance Corporation and the World Bank.

Other aid bodies, including the UK government's "Know-how Fund" have already provided vital technical assistance.

The authorities say that around 50 consortia are "preparing to apply" to manage the funds. But they will not reveal the names of the consortia until they have been selected.

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At the moment a list of 367 state sector companies is ready for inclusion in the scheme and new tranches are being prepared. The selection committee, which is being reappointed by the new prime minister, Mr Waldemar Pawlak, is expected to finish its work early in the new year. The funds should be up and running several months after that.

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## Kleinwort hopes stamina will bring big dividends

### Anthony Robinson profiles one of the bidders

The investment management division of Kleinwort Benson, the London-based investment bank, will be one of the foreign institutions bidding for a mandate to manage one of the new funds. For Mr David Glasgow, the director who heads the bank's Polish operations, the bid represents the culmination of a conviction that the mass privatisation scheme which began in October 1990 and to which the bank has stayed faithful despite many setbacks and delays.

"We looked at the scheme and we liked it. It is clever, low risk and structured in a way which made it possible to sell to our global interest in joint venture deals in emerging markets," he says.

Part of the determination to stay the course stems from Kleinwort's conviction that it has found the ideal partner in the Polish Development Bank, a young private sector bank voted the country's best earlier this year by *Gazeta Handlowa* economic newspaper.

Having chosen a partner the Kleinwort team then spent much of last year "kicking the tyres" of 17 of the 180 companies then on offer for management by the putative funds.

"We were encouraged because we found that although most of them were in a 'cash-gridlock' they were surviving, even though in some cases that meant just paying their staff and saying 'no' to the government's tax demands. What surprised us most favourably was the quality of management and the level of skills," Mr Glasgow adds.

Kleinwort is one of at least eight UK-based groups who were initially interested in taking a 10-year management role, even though the pay-off in regard to the capital gains on their end-of-term equity share-out remain difficult to quantify with any precision.

Mr Glasgow believes that only five UK groups have stayed the course, along with Italian, Swiss, French, a few German and several US institutions.

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CH 11/15/93



## EU presents 'action plan' for Bosnia

By Laura Silber in Geneva

European Union foreign ministers yesterday put forward their "action plan" to end the war in Bosnia, vowing not to lift sanctions against Serbian Yugoslavia until Bosnian Serbs handed over land to their Muslim adversaries.

Despite threats by EU ministers to suspend relief operations in Bosnia this spring if the warring sides fail to endorse a settlement dividing the republic into three ethnic mini-states, the leaders of the three communities yesterday appeared to remain far from agreement.

The Serbian president, Mr Slobodan Milosevic, and his Bosnian Serb proxy, Mr Radovan Karadzic, renewed their demands for the immediate suspension of United Nations sanctions before the Serbs made any territorial concessions.

Mr Alija Izetbegovic, the Bosnian president, said the mainly Muslim republic must receive additional land from the Serbs and access to Adriatic ports from the Croats.

Mr Douglas Hurd, British foreign secretary, yesterday said sanctions would remain in place until the Serbs fulfilled their pledges to hand over land in Bosnia. "The first move has to come from the Serbs' offer of additional withdrawal, once that offer had been implemented, and there was a ceasefire, and the aid was flowing freely, then we, the Europeans, would think that the Security

Council should consider suspending sanctions," he said during the first all-party talks since the collapse of the peace process in September.

However, in a defiant speech, Mr Milosevic slammed the EU for doing "enormous harm" to his country.

A statement from the Belgian EU presidency outlined the "action plan", which also called on Croat leaders to fulfil their pledge for concessions on ports and on the Bosnian government to stick to its territorial demands of 3-4 per cent. The Croatian president, Mr Franjo Tudjman, and Mr Mate Boban, the Bosnian Croat leader, reportedly gave their support for the EU plan at the Geneva session, also attended by Muslim and Croat military leaders but boycotted by Bosnian Serb commander Ratko Mladic.

Mrs Sadako Ogata, UN high commissioner for refugees, accused all three leaders of reneging on their pledge of 11 days ago to allow the free access of humanitarian aid to some 3m people in Bosnia.

Discussion of the latest EU-sponsored Bosnia peace proposals will continue in Rome today as EU foreign ministers, together with their US and Russian counterparts, join foreign ministers from the former communist states in a broader review of European and central Asian security issues at a meeting of the Conference of Security and Co-operation in Europe (CSCE), Anthony Robinson writes from Rome.

## In search of fiscal wisdom for old age

Hugo Dixon on pensions policy in a world of ageing populations and big deficits



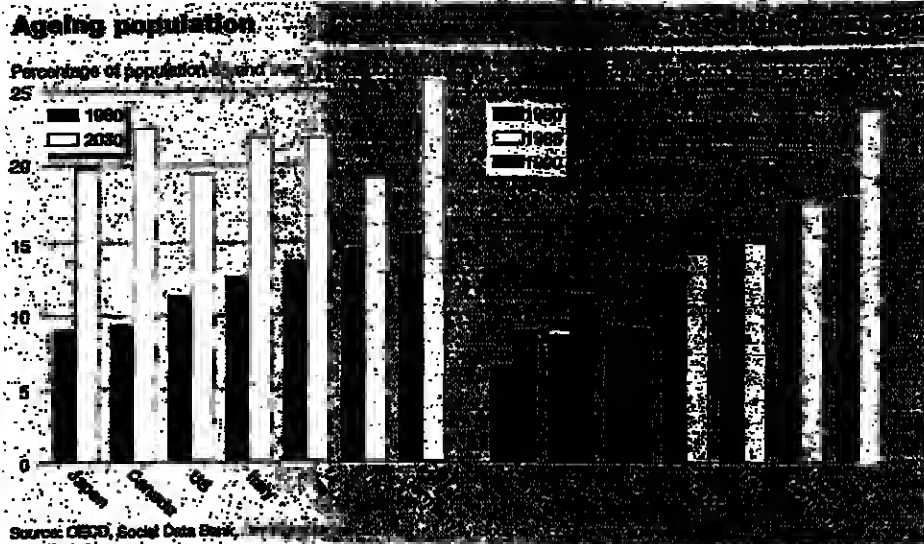
Pensions are already the single biggest item of government expenditure in almost all industrialised countries. As populations age, and schemes set up after the Second World War mature, state pension transfers will consume an ever-increasing share of national budgets. On current trends, they will exceed spending on health care and education combined within the next 50 years.

These bald facts explain why most governments are considering revamping their pension systems. Without change, there are fears that ballooning pension budgets will become unsustainable. The next generation of workers may not be willing to pay the higher taxes or social security contributions that will be needed when the current generation of workers retires.

Politicians are reluctant to risk the electoral consequences of cutting back people's pensions. They also have little incentive to take painful decisions whose full benefits will only become apparent long after they have left office.

The policy questions surrounding pensions are complex. Pension policy has a powerful impact on the wider economy. In particular, it can affect retirement ages, savings and investment, the competitiveness of industry, and job mobility.

Governments started to reform their pension systems in the 1980s. Japan, whose demographic crisis came early, curbed the generosity of its state scheme and raised the



age of entitlement to pensions. In the UK, the Conservative government, driven mainly by an ideological belief in the superiority of private pensions, gave employees tax incentives to opt out of its state earnings-

related pensions scheme and promoted personal pensions. Continental European countries such as France, Germany and Italy face the greatest pressure to change, partly because of the speed with which their populations are ageing (see chart). But their pensions are also especially generous, typically more than half final salaries.

The pressures are less intense in Anglo-Saxon countries such as the US, UK, Canada and Australia. Their populations are not ageing as rapidly and their state schemes are less generous, in part because of the greater role of private pensions.

cent of average earnings, is thus projected to fall to 7 per cent of average earnings over 30 years.

● Raising the state pension age. This saves money by cutting the number receiving pensions and governments hope it could reverse the trend towards earlier retirement in most countries. Japan has raised its pension age from 60 to 65. The US has chosen 67, though this will not come fully into effect for more than 30 years. Germany and Italy are also gradually increasing their pension ages to 65. Other countries plan similar action.

● A more radical reform is to shift from state to private provision of pensions. It is possible to achieve this by allowing state pensions to wither and relying on people to get the message that they need to save for their retirement. Alternatively, governments can promote private pensions through tax relief for pension funds or

by compelling people to save for their old age. No industrialised country has made a wholesale switch, though Chile has done so by making private saving mandatory.

Private pensions mean there would be less need to raise taxes in future to finance the pensions of the growing number of old people. Anticipating also argue that, by saving for their pensions, today's workers would channel larger sums of money into productive investment so boosting long-term economic growth.

But private pensions do nothing to curb public spending in the short run, as those who have already retired still have to rely on taxpayers for their pensions. Moreover, they impose a greater financial burden on today's workers who have to save for their own pensions as well as paying taxes for the pensions of those who have retired.

Advocates of private pensions point to their greater flexibility. Instead of contribution rates and pension ages being fixed by governments, individuals are able to choose how much to save and when to retire - though this is less so with occupational schemes than personal pensions.

Backers of state provision point out how successful it has been in reducing poverty in old age. Private pensions, they argue, are not well suited to tackling poverty because they cannot easily redistribute money from the rich to the poor. If people had to save for their retirement, the unemployed, women who stayed at home and those on low incomes would suffer. Large sums of their savings could also be swallowed up in admin-

istrative fees. This means that complete withdrawal of the state from pension provision is unlikely to be socially acceptable in most countries.

However, the state might reduce its commitment by guaranteeing a basic income for all old people, leaving additional saving to individual choice. However, if this basic income was set at a generous level, the cost could be high. If a low level was chosen, many pensioners could still face poverty.

An alternative is to target the state pension on those most in need, while giving nothing to those who have accumulated decent private pensions. But the danger is that people would have no incentive to save for their retirement. In Australia where state pensions are means-tested an increasing proportion of retired people qualifies because they ensure their wealth is invested in ways that do not feature in the test.

Compulsory saving would negate the choice and flexibility associated with private provision. From an individual's perspective, state-mandated contributions to private pensions might not look so different from taxes or social security contributions.

As short-term demographic pressures grow, governments are increasingly finding taxation is not an option. Whether by choice or force of circumstance, a shift from state to private pensions is probably inevitable.

This is the seventh article in a series around the world. Previous articles appeared on October 25, November 3, 8, 17, 19, 24.

## Ruhrkohle move on four-day week

By Ariane Genillard in Bonn

Ruhrkohle, Germany's largest coal producer, is to discuss a proposal from IG Bergbau und Energie (IGBE), the mining industry trade union, for the introduction of a four-day working week in forthcoming talks with union representatives.

The union is hoping a shorter working week will avoid massive lay-offs facing the recession-hit industry. Ruhrkohle, which produces 80 per cent of Germany's hard coal, is due to axe 6,000 jobs in coming months.

The redundancies come on top of 20,000 jobs which must be eliminated between 1991 and 1995.

The move follows an agreement struck last week between the IG Metall engineering

union and Volkswagen which will introduce a 28.8-hour week and lower wages in order to save up to 30,000 jobs.

Mr Hans Berger, president of IGBE, said the proposal from his union could save up to 10,000 jobs in the mining industry.

The union is also offering pay cuts of 5 per cent in the talks which will take place in two weeks, much lower than Volkswagen's proposed 20 per cent reduction.

However, officials in German coal mining groups warned at the weekend that the shorter week could only be a transitional measure to overcome the crisis hitting the domestic coal mining industry.

Unsold stocks have been piling up at coal mining companies as orders from steelmakers have plunged this year.

## More falls in German steel production

By Ariane Genillard

West German steelmakers said production of hot-strip steel would fall by 15 per cent in the fourth quarter of 1993, compared with the same period last year, because of continued depressed demand, the German steel association said yesterday.

The reduction is higher than had been anticipated, reflecting dire market conditions, a spokesman from the association said. The reduction in hot-strip output for the whole year will amount to 12 per cent.

Steelmakers have complained that the failure of the European Commission to reach a European-wide agreement on reducing over-capacity in steel markets would lead to drastic consequences in the recession-hit industry.

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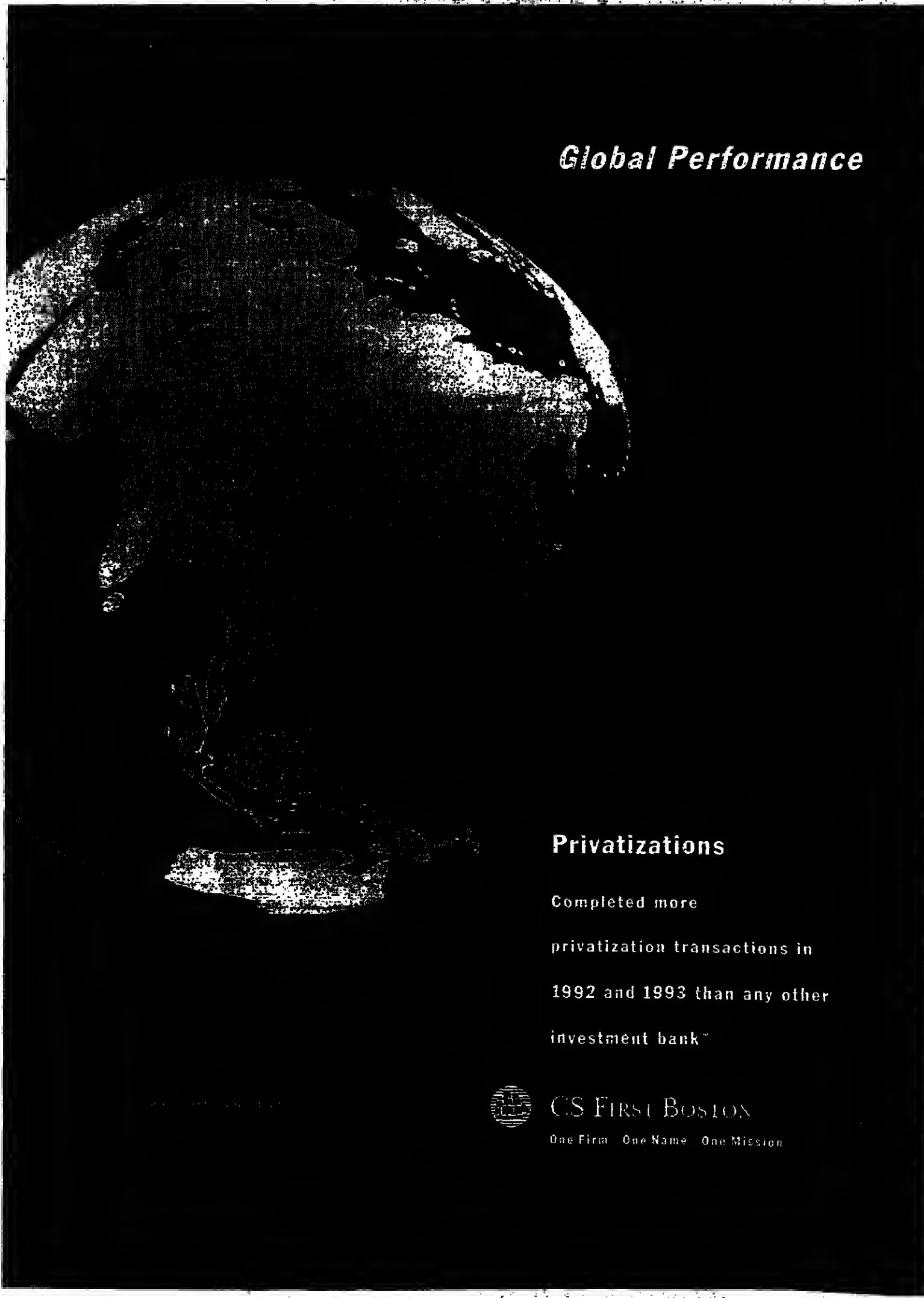
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A specification document containing all particulars, including programming requirements, details of transmission arrangements and coverage, financial requirements and information about the application procedure, may be obtained, on written request, from the Chief Executive, The Radio Authority, Holbrook House, 14 Great Queen Street, London, WC2B 5DG.

The closing-date for the submission of completed applications will be Tuesday, 15 March, 1994. A non-refundable application fee of £10,000 must accompany each application.

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## NEWS: INTERNATIONAL

## Internal battles and voting reforms may spawn new parties

## NZ politics enters period of turmoil

By Terry Hall in Wellington

New Zealand's two main political parties have each entered a period of turmoil. Prospects of a political realignment have increased, following the general election earlier this month which saw the right-wing National party hang on to power by a one-seat majority.

Mr David Lange, the former Labour party prime minister, said last night that an acrimonious brawl over the continued leadership of Mr Mike Moore, his successor, could wreck the party. The battle erupted within days of Mr Moore's resignation, claiming that he had resurrected the party's fortunes by nearly winning the election.

Many see the struggle as the first in a series of party wrangles which will prompt members of the two main parties to form new political groups. Politicians are seeking to take advantage of the introduction for the next election of the German proportional representation system, which favours the development of small parties, rather than the Westminster-style two-party system which New Zealand has had for much of the past 133 years.

Divisions also exist within the National party amid speculation that a new hard-right party might be formed. Ms Ruth Richardson was topped as finance minister by oppo-



Left out: former National party ministers Ms Ruth Richardson and Mr Graeme Lee

nents within the party at the weekend.

She has said she will not hesitate to vote against the government if it puts her economic policies at risk.

The new finance minister, Mr Bill Birch, is a close ally of

prime minister Jim Bolger. Within New Zealand Mr Birch was considered the most powerful minister in the previous administration, not Ms Richardson, whose power ebbed after the government was forced to backtrack on some

reforms she introduced in 1991. Mr Birch was the architect of many reforms introduced over the past three years including the Employment Contracts Act which has effectively broken the power of the unions and cut wage costs. He also orches-

trated changes in insurance and health to link them more closely to market forces.

The struggle within Labour between Ms Helen Clark, a left-leaning academic, and Mr Moore, a former trade unionist, has divided the party into two roughly equal factions. About half apparently want to follow Ms Clark, Mr Lange and others into turning Labour back to a centre-left group which is already pledging to raise taxes to help the underprivileged. Aligned against them are Labour MPs who supported economic reforms, as well as Maori MPs and a number of traditional union and other working-class Labour MPs.

In a letter of support for Mr Clark, who is standing against Mr Moore in tomorrow's caucus vote for leadership, Mr Lange accused Mr Moore of campaigning as if the Labour party was his own property. "He'd rather see the party wrecked than let caucus choose a new leader," he said.

The left wing argues that the party must reform its roots in order to survive under the proportional voting system; Mr Lange and others say the party must abandon the centrist approach favoured by Mr Moore of "being all things to all men". Mr Lange said on television last night that Labour could never govern on its own again.

## China-UK rift cuts HK share prices

By Simon Davies and Sherrin Hobberson in Hong Kong

Share prices in Hong Kong fell sharply yesterday as investors reacted to the apparent breakdown in Anglo-Chinese co-operation over the territory's political future.

Hong Kong's politicians called on Governor Chris Patten to give a full account of the talks when he appears before the Legislative Council (LegCo) on Thursday.

The Hang Seng index, the blue chip barometer of Hong Kong's economy, ended down 361.65 points, or 2.52 per cent, at 9,013.77. Traders attributed the fall to concerns about an aggressive reaction by China, as Mr Patten proceeds toward tabling his democracy legislation without Beijing's consent. However, they said that unless China was prepared to sacrifice Hong Kong's economic well-being for political gains, other factors would prove more important. Mr Adrian Fenech, head of research at Baring Securities, said: "There are two things that matter: interest rates and the Chinese economy. The rest of it is largely irrelevant."

Mr Richard Wills, managing director of United-Mok Yung Kie, a local brokerage, said: "It doesn't really matter what Mr Patten does; it is how China reacts to it."

Exactly a year ago, China first threatened to damage Hong Kong's economy in retaliation for Mr Patten publishing his democracy plans. It questioned the Hong Kong government's right to develop the colony's next container terminal - the contract is still a matter of dispute.

Beijing limited itself to blaming Britain for the lack of progress in the 17th round of talks, which ended in the Chinese capital on Saturday. Britain offered to resume talks but the two sides did not set a date.

Mr Jimmy McGregor, an elected member of LegCo, yesterday urged Mr Patten to push ahead with the first stage of his legislative programme. "After these measures have been passed he should then seek to engage Beijing in talks about the more difficult issues dividing the two," he said.

Mr Tam Yiu-chung, a pro-Beijing legislator, said it was worrying that the UK and China had not given a date for future talks. He said if Mr Patten decided to table his reform bill, the talks would break down irretrievably.

Peter Wise said from Lisbon: China said yesterday Britain was entirely to blame for the breakdown in talks. Mr Wu Jianmin, a Foreign Ministry spokesman, said Beijing was deeply disappointed by the collapse of the 17th round of negotiations and that "the responsibility lies solely with the British side," but declined to elaborate.

Mr Wu was speaking during a state visit to Portugal by Chinese President Jiang Zemin for talks on the transfer of Macao to Chinese rule two years after Beijing takes over Hong Kong in 1997.

No difficulties had been raised over the transfer of Macao and good relations between the two would ensure the territories' prosperity and stability, he said.

## Negotiators at loggerheads

## Israel pact on autonomy under threat

By David Horowitz in Jerusalem

A fortnight before Israel is due to begin pulling troops out of the Gaza Strip and the West Bank's Jericho region, disident members of the PLO's mainstream Fatah faction threatened yesterday to resume the armed struggle, and Israeli and PLO negotiators remained at loggerheads over a number of crucial issues.

Mr Yitzhak Rabin, prime minister, said that while he still hoped all autonomy arrangements would be finalised in time for the December 13 start of the troop withdrawal, he did not intend to give ground merely to ease the negotiating process.

He said Israel needed satisfactory understandings on security for Jewish settlers and for other Israelis travelling on main roads of the occupied territories, on the precise Jericho boundaries and on control of the autonomous areas' external borders. It would be better to delay autonomy by two or

three weeks, he said, if that would guarantee "a clear agreement which won't cause misunderstandings in the implementation".

Delegates from Israel and the Palestine Liberation Organisation resumed their autonomy talks in Cairo yesterday.

Mr Nabil Sha'ath, chief PLO negotiator, said there had been progress on the demand for release of the 10,000 Palestinian prisoners held in Israeli jails. But he said that "the Israelis are really not moving on the issues that separate us... There is the threat that Israel will not withdraw on December 13".

In the occupied territories there were signs of growing impatience at the lack of progress. On Sunday night, undercover troops shot dead a member of the Fatah Hawks in a Gaza refugee camp.

About 5,000 people attended his funeral yesterday, and members of the Hawks distributed leaflets announcing a return to the gun. Shots were fired at two Israeli police stations and three army bases.

## Assurance over Pakistan credit

By Farhan Bokhari in Islamabad

The Pakistani government yesterday acknowledged that government borrowings from the central bank had increased rapidly this year, but said it hoped the trend would change by next month, with new credit raised from non-bank borrowing and an increased flow of external commercial bank credits.

The former government of Mr Moen Qureshi, the caretaker prime minister, had set a target of Rs20bn (\$660m) for official borrowings for the whole year, down from last year's Rs60bn. However, during its three months in office, his government borrowed Rs28bn, while the new government of Mr Benazir Bhutto has borrowed another Rs2bn, with almost seven months before the current fiscal year ends in June.

The borrowings have raised fresh concern that the government may not meet its crucial economic targets, notably reducing the federal budget deficit. Pakistan hopes to negotiate IMF and World Bank

loans worth almost \$1.5bn within the next three months, and reducing the deficit would be one of the most critical conditions.

Last year's deficit reached 7.5 per cent of gross domestic product, against a target of 5.5 per cent. Islamabad is trying to bring this year's deficit down to 5.4 per cent.

Mr V A Jafarey, the prime minister's adviser on finance and the *de facto* finance minister, said in an interview yesterday: "It is true that we have inherited a large increase in borrowings from the State Bank, the central bank. However, he hoped that the borrowings would start coming down within the next three weeks, once the government was able to raise fresh funds through officially backed savings schemes, bonds and external finances in the form of commercial bank loans.

Some officials expect further improvements in the country's economic performance in coming months, with a recent recovery in the foreign exchange reserves to some \$300m, up from around \$180m in July.

## Steep rise in China pay

Foreign companies operating in China are facing steep rises in local labour costs, according to a survey, writes Alexander Nicoll, Asia Editor.

The Wyatt Company, a US-based consulting firm, says salaries of Chinese nationals working for foreign ventures have risen 22 per cent this year, faster than the 15 per cent increase in 1992.

have reported it is increasingly difficult to keep good Chinese in local because newly established enterprises lure them away with high salaries. Inflation is also a factor.

But salary levels are still low by western standards. A manager working for a foreign representative office earns about \$7,000 a year including allowances, while a manager in a joint venture earns \$3,000.

## Australian trade meets forecasts

By Nikk Tait in Sydney

Exports from Australia fell 3 per cent last month, but an even sharper 4 per cent decline in imports left the current account deficit roughly in line with market expectations.

The country registered a seasonally adjusted current account deficit of A\$1,257bn (US\$810m) in October, up from A\$1,077bn the previous month, according to latest official figures.

Analysts expressed no surprise at the exports fall; the September figure had been boosted by a high level of gold

sales, and the merchandise exports - at A\$5,475bn - remains the second highest on record.

The fall in imports, down A\$2,17m to A\$5,317bn, was also partly explained by the timing of transport equipment deliveries. The seasonally adjusted balance of trade stood at A\$158m, up A\$48m on the September surplus.

Although the data was generally viewed as encouraging, the Australian dollar came under pressure, with Japanese selling blamed. BIS Shrapnel, the economic forecasting firm, also

warned that long-term problems may be building up, given the low levels of business investment.

"By the end of 1995, strong growth and supply constraints will produce a surge in imports and a deterioration in the current account deficit to some A\$23bn by the end of that year," it predicted.

Opposition parties tried to capitalise on tension between the Australian government and Malaysia over remarks made by Mr Paul Keating, the prime minister, at the recent Apec conference in Seattle.

Mr Alexander Downer, opposition treasury spokesman, said that the prime minister should apologise over his comments about Dr Mahathir Mohamad, the Malaysian prime minister. He said that Mr Keating's description of Dr Mahathir as a "recalcitrant" for not attending the Asia-Pacific summit was putting export trade with Malaysia in doubt.

The opposition's call followed a move by Malaysia at the weekend to ban Australian-made television programmes and advertisements in protest at Mr Keating's remarks.

## Japan's carmakers seek alliances

By Michio Nakamoto in Tokyo

Japanese carmakers are coming under increasing pressure to consolidate their activities, amid a continuing slide in personal spending at home, the impact of the high yen overseas and the increased competitiveness of Detroit's manufacturers in the US, Japan's highest export market.

In a deal revealed yesterday, Honda has agreed to supply Mitsubishi Motor with drive shafts for use in front-wheel-drive Mitsubishi cars. Neither company would reveal the volume or value involved.

The deal reflects a growing trend for Japanese carmakers to seek alliances with each other in a bid to reduce costs, make more efficient use of facilities and survive the downturn.

Honda will benefit from the economies of scale provided by a big buyer for its drive shafts, which the company has not sold to its competitors in the past. Mitsubishi, for its part, will be able to reduce its development costs.

The deal also indicates that the environment faced by Japanese car makers has become so tough that standard cost reductions by companies are in many cases not sufficient to enable them to survive the downturn.

Statistics yesterday showed that Japanese vehicle exports last month suffered the largest year-on-year fall on record. Automotive exports in October, including parts, were down 25 per cent in unit terms, according to the Japan Automobile Manufacturers' Association. In value, exports were down nearly 10 per cent.

The largest falls came in exports to countries of the European Union, which were down 42 per cent in the ninth consecutive year-on-year decline. Exports to the US and Asia fell 21 per cent.

In the domestic market, vehicle unit sales fell 9.5 per cent. Carmakers have been struggling to reduce costs and adjust production levels to

meet lower demand. Mazda closed its factories yesterday for the second time this month to adjust inventories. Isuzu said it aimed to reduce its seasonal workers by 1,000, or 50 per cent, in a year.

Most car makers have also been standardising a large number of their own car components in an attempt to reduce costs. In Honda's new Accord model, for example, 50 per cent of the components are the same as those used in the previous model.

Earlier this year, Honda and Isuzu began providing each other with cars to supplement their ranges. Isuzu and Mazda also have an agreement to provide each other with engines.

Industrial fields and combat business practices which restrain competition. Adopting such measures would take real economic growth rate to about 3.2 per cent in the years to 2000, instead of the 2.6 per cent or less expected if no action is taken; the council predicts Japan's current account surplus as a percentage of GNP would remain at a level that would continue to create friction with other countries.

Industrial Structure Council, an advisory board to the Ministry of International Trade and Industry.

In a report released yesterday, the council - whose members include leading industrialists, such as Mr Aldo Morita, chairman of Sony, labour leaders and academics - recommends Japan carry out substantial upgrading of the social infrastructure to stimulate domestic demand, implement deregulation to create new

## JRD Tata: symbol of the Indian spirit of enterprise

By Stefan Wagstyl in New Delhi

Mr JRD Tata, the urbane industrialist who headed Tata, India's largest commercial grouping, for more than 50 years and was a symbol of his country's entrepreneurial spirit, died yesterday aged 89.

Tributes flowed into Tata's Bombay headquarters, including a message from President Shankar Dyal Sharma, who said Mr Tata would "always be remembered for his patriotic services" in many fields.

Jehangir Ratanji Dadabhai Tata, the son of an Indian father and a French mother, was born in Paris in 1904 into one of India's wealthiest families. He made full use of the opportunities offered by his privileged life: businessman, pioneer aviator, and champion of many causes ranging from India's nuclear development to population control. He piloted aircraft until well past 80, skied until he was 85 and retained his seat on the board of Tata Sons, the group's core company, until his death.

He spoke French better than English and both better than any Indian language, yet he devoted his life to India. He stayed out of politics, but he often criticised India's socialist programme, an approach

which cost Tata companies dear when it came to securing government investment approvals.

Flying was Mr Tata's passion. As a boy in France he watched Louis Blériot's earliest flights. In 1925, he became one of the first Indians to secure a commercial pilot's licence. In 1932, he founded Tata Air Services, a forerunner of Air India, the national flag carrier, and piloted its maiden flight. After the nationalisation of aviation in 1963, Mr Tata was made Air India's honorary chairman - a post he retained until 1978, when he was sacked by a government jealous of his influence. Mr Tata later said it was his life's biggest setback.

Mr Tata's business career began at 21 after he completed military service in France. Mr Tata wanted to go to Cambridge, but his father told him to move to India to join Tata as an unpaid apprentice in the group's steel business. A year later, Mr Tata's father died and Mr Tata inherited his seat on the Tata Sons board. In 1938, the chairman died and, at the age of 34, Mr Tata was chosen to succeed him.

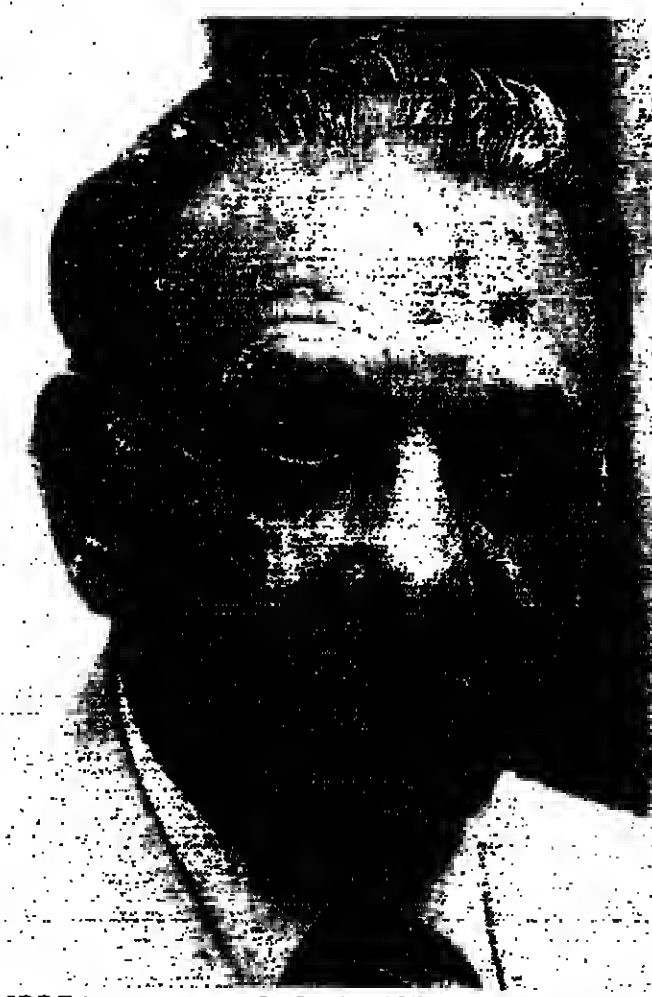
Mr Tata ruled with a light hand and gave managers freedom to work independently. Just as Mr Tata pursued aviation, other executives expanded the group's interests in

engineering, motors, chemicals, hotels and many other industries. As the group's sales rose to their current annual total of over \$1.5bn (\$3,040m), so investments became increasingly diverse.

Until the late-1970s, Mr Tata's charisma held the group together. But in the 1980s, the group began to look increasingly incoherent, with its ageing managers often too busy guarding their own fiefdoms to respond to commercial challenges. Mr Tata was criticised for retaining power for too long. In 1991 he finally handed over the chairmanship of Tata Sons to his cousin, Mr Ratan Tata.

Mr Tata gave much time to causes of national interest. In 1945, he set up the Tata Institute of Fundamental Research, a pioneer of India's nuclear programme. In the early 1950s, he was one of the first advocates of population control - an issue over which he quarrelled with Jawaharlal Nehru, who believed a large population made for a powerful country. In 1992, Mr Tata received the United Nations Population Award.

Mr Tata, who had no children but is survived by his wife, died in a hospital in Geneva, where he had gone for a holiday and for medical treatment.



JRD Tata: gave managers freedom to work independently

## Industrialists urge economic reform

By Stefan Wagstyl

Indian industrialists have urged the government to put economic reform back to the top of the political agenda following the ruling Congress (I) party's partial success in this month's state elections.

Industry leaders believe Congress has done well enough in the polls, for which vote-counting started at the weekend, to have taken the steam out of demands from the Bharatiya Janata party, the militant Hindu opposition, for an early general election. Businessmen now expect parliament to run its full term to 1996, giving Prime Minister P V Narasimha Rao and colleagues time to press on with reform.

"I hope the next 2 1/2 years will be assigned only to economic reforms," said Mr S K Bhargava, chief executive of Eicher, an engineering group. Mr K N Menon, president of the Federation of Indian Exporter Organisations, said the results should give Congress enough comfort to go ahead with reform.

In Bombay, stockbrokers expected the results to give a further boost to the stock market, where prices have risen by an average of 23 per cent in the past three weeks, as measured by the Bombay Stock Exchange's index of leading stocks. The market was closed yesterday for a religious

holiday. Shares are in the middle of their biggest rally since last year's scandal in the interbank securities market triggered a prolonged sell-off.

The elections are a delayed consequence of the storming of the Ayodhya mosque last year by militant Hindus. Soon after the sacking, the BJP-controlled assemblies in four northern states - Uttar Pradesh, Himachal Pradesh, Rajasthan and Madhya Pradesh - were suspended by the central government for allegedly supporting the mosque's destruction. The elections were for new assemblies for these states and in two others - the city of Delhi and the small north-eastern state of Mizoram.

In the states where counting began at the weekend, Congress has won Himachal Pradesh and won enough seats in Rajasthan to rob the BJP of an outright majority, though the BJP may still form a government with support from independents. In Uttar Pradesh, the BJP has lost its majority and control is likely to pass to an anti-BJP coalition led by Mr Mulayam Singh Yadav, head of the Samajwadi party, a populist grouping representing lower castes. The BJP has swept control of Delhi, where elections were held for the first time after 40 years of central rule.



## Canada sees sharp rise in budget deficit

By Bernard Simon in Toronto

Canada's budget deficit will be almost 40 per cent higher in the current fiscal year than previous estimates, Mr Paul Martin, the finance minister, said yesterday.

Blaming a combination of over-optimistic forecasts by the previous Progressive Conservative government, a burgeoning underground economy and unexpectedly large tax refunds, Mr Martin said that the short-fall for the year to March 31 was now projected at C\$44bn-C\$46bn (\$22.5bn-23.3bn).

The Conservatives last spring forecast a deficit of C\$3.6bn for this fiscal year.

"We are going to have to restore control over the nation's finances," Mr Martin said. The new Liberal government last month revised the estimate for the 1992-93 deficit upwards from C\$3.5bn to C\$4.5bn.

The revised forecasts, which were widely leaked last week, had a limited impact on financial markets yesterday. By midday, the Canadian dollar had lost about a third of a cent to 74.90 US cents.

The size of Canadian federal and provincial budget deficits

has for some time been a source of concern to foreign investors. Standard & Poor's, the rating agency, last week downgraded Ontario's credit rating.

Mr Martin's strategy for containing the deficit will emerge in his first budget, due to be tabled early next year. But he reaffirmed yesterday the Liberal election campaign pledge to bring the budget deficit down to 3 per cent of gross domestic product by 1996-97 from 5.9 per cent last year. He added, however, that achieving this target "will not be easy, to say the least."

One economist said he was encouraged by signals that the Liberals plan to overhaul the budget-making process and seek a more co-operative approach in fiscal policy between Ottawa and the provinces.

The Conservatives consistently failed to meet their deficit-reduction targets during their nine years in office. The budget estimates made earlier this year were based on a 1993 growth rate of 2.9 per cent, rising to 4.6 per cent in 1994. These forecasts have now been scaled back to 2.5 per cent and 3 per cent respectively.

## Mr Continuity set to succeed Salinas

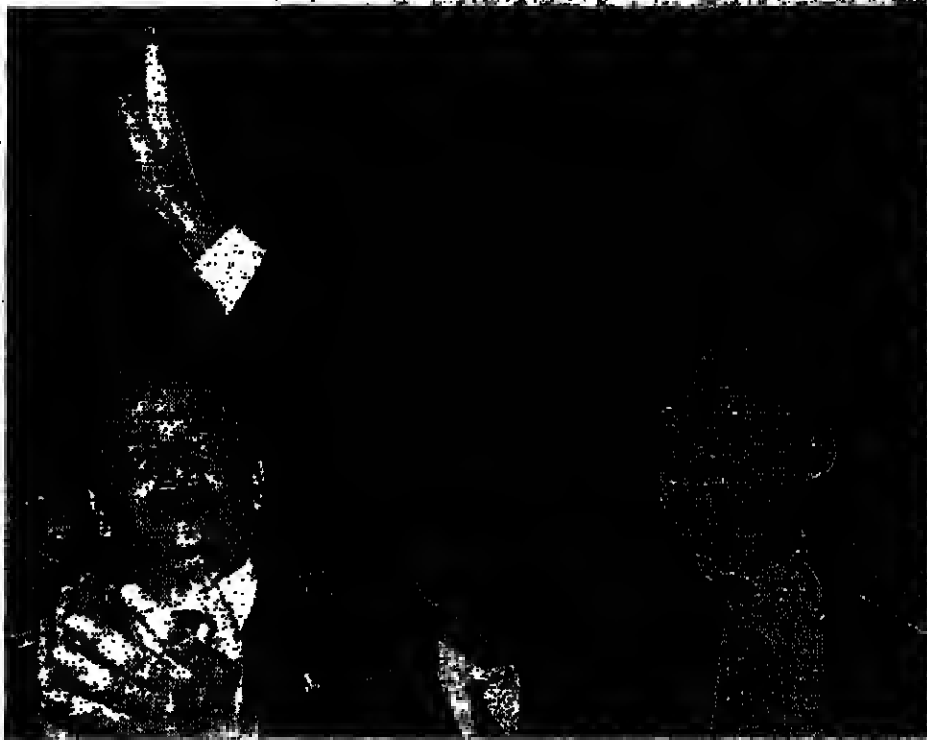
By Damien Fraser

The atmosphere at the headquarters of Mexico's ruling party on Sunday night was jubilant. Mr Luis Donaldo Colosio, the former party leader and favourite of the rank and file, had defeated his rivals to be declared the nominee to succeed President Carlos Salinas next year.

While erstwhile competitors for the nomination may have higher intellectual reputations, none enjoyed Mr Colosio's broad party support, his mix of technical and political skills, nor, above all, had they shown such unwavering loyalty to Mr Salinas's economic and political goals.

In the end such qualities won the 43-year-old social development minister the presidential nomination, which is traditionally in the gift of the outgoing president. With the Institutional Revolutionary Party in power for the last 64 consecutive years, and more popular than six years ago, Mr Colosio is overwhelming favourite to become president after the election next August.

"Mr Colosio is known by all of us and we will work for him," said Mr Mario Ruiz, municipal president from Nancayan, in the state of Mexico, one of the thousands of PRI supporters who had come to pay their respects to Mr Colo-



Colosio: broad party support, technical skills and unwavering loyalty to the president.

sio. "He will follow the same line as Salinas because his is a project over generations."

Mr Colosio's total fidelity to the current president and reticence in public about his own ideas have raised questions about whether he has the inde-

pendence of mind to lead Mexico into the next century. His long experience in government has given few clues of how he would lead the country for another six years.

"It is a huge mystery what he believes in," said one ministerial colleague from a rival team before his nomination.

The minister, Mr José María, argued that Mr Colosio's lack of guile indicated that he was afraid of making tough decisions. Some question Mr Colosio's record in government, which over the last year has consisted mainly of presiding over a 10 per cent drop in public

works projects.

But in his acceptance speech on Sunday night, Mr Colosio did give some clues as to how he would govern Mexico. He strongly endorsed Mr Salinas's free-market economic policies, but also taken the special cost of social policies and the privatisation of state-owned enterprises.

Colosio pledged himself to a continuation of Mr Salinas's anti-poverty programme, which he said would become the backbone of the new government. Many have criticised the programme, including privately, at least one cabinet member, as too centralised around the president and responsive to political rather than social development needs.

The greatest change from Mr Salinas may lie in Mr Colosio's attitude to the capital and the regions. Mr Salinas's economic revolution has been top-down and highly centralised. Governors who have fallen out of favour have been dismissed, and states given almost no power to raise their own money.

Mr Colosio is from the agricultural north of Mexico, from a small village, Magdalena de Kino in Sonora, not far from the border with Arizona. He is thought to find Mexico City and its domination of Mexico stifling and unhealthy. He said

in a recent interview that were he elected president he would give more independence to state governors and perhaps allow them to raise property taxes. He said he would encourage them to deregulate the state economies as had been done at federal level.

Like the other leading members of Mr Salinas's cabinet, Mr Colosio is a US-trained technocrat - he has a graduate degree in regional development and urban economics from the University of Pennsylvania. Unlike them he has held elective office, having been both a deputy and a senator.

He started working with Mr Salinas in 1979 in the budget ministry and has been a close colleague since. As head of the PRI he presided over the party's first-ever defeat in governor elections, which he presented as a victory for democracy, and a convincing win in federal elections for local deputies, described as a vindication of Mr Salinas's economic reforms.

Since last year he has been in charge of the social development ministry where he has had a multi-billion dollar budget to reduce poverty, improve the environment and build houses and other infrastructure projects. The spending has helped him solidify political alliances across the country, and gave him a seat on the economic cabinet.

## Religious test for Supreme Court

By Jurek Martin in Washington

The US Supreme Court yesterday accepted for judgment next year a controversial case which appears to cut to the heart of the US constitutional division between church and state.

The case concerns the establishment in 1989 by the New York State legislature of a special school district in Orange County, 40 miles from New York city, catering to the needs of the disabled children of an Hasidic Jewish sect which makes up most of the population of a local village.

Most of the children attend private religious schools but about 220 physically handicapped children were taught at a local state school. However, their parents withdrew them on the grounds that their lessons were incompatible with their strict religious beliefs,

leading the legislature to create a special district.

This was challenged by the state board of education on the grounds that government thus violated the constitutional separation of church and state. State courts upheld this argument, but lawyers for the Hasidic sect, backed by the New York attorney general, Mr Robert Abrams, petitioned the Supreme Court for a review.

The relevant Supreme Court ruling appears to be its 1971 judgment (Lemon vs Kurtzman) against government laws and practices which advance or promote religion or entangle government in religious affairs.

Mr Abrams's brief maintains the creation of a special school district had no wider impact and "has, at most, the effect of accommodating the needs of a community of devoutly religious people."

## Democrats drop lawsuit

The Democratic party in New Jersey has dropped its lawsuit seeking to invalidate this month's election to pick the state's new governor, in which Mrs Christine Todd Whitman, the Republican candidate, defeated incumbent Governor Jim Florio, reports George Graham from Washington.

The suit had been filed after Mr Ed Rollins, Mrs Whitman's campaign manager, said the campaign had paid black preachers to stop their congregations from voting.

Mr Rollins later said under oath that he had made this up to taint Mr James Carville, who managed Mr Florio's campaign. New Jersey Democratic leaders concluded that they could not prove the Republicans paid to suppress black votes.

## Honduras poll win for Liberal

By Edward Orlebar in Tegucigalpa

Mr Carlos Roberto Reina of the centre-right Liberal party has ousted the National party in a landslide presidential election victory in Honduras.

With 80 per cent of the vote counted, according to the national electoral tribunal, he was leading his chief rival Mr Oswaldo Ramos of the governing conservative National party by 53 per cent to 41 per cent, the largest margin since civilian government was restored in 1981.

The Liberal party was also expected to secure majorities in congress and the municipalities from Sunday's vote.

Mr Reina, an urban 67-year-old former president of the Inter-American Court of Human Rights, said as he claimed victory that he would implement a "moral revolution" in public service.

He has promised to attack rampant government corruption, and reform partisan state institutions, including the judiciary and the national electoral tribunal which organises elections.

According to a political analyst close to the Liberals, Mr Reina's chances of implementing the reforms will depend on how quickly and effectively he can create his own team and marginalise traditional party barons.

Despite accusations from Mr

Ramos that he was a communist, Mr Reina, who takes office in January, has said he will continue to honour Honduras's \$3.6bn foreign debt, and the structural adjustment programme with the Washington-based international financial institutions. He said he would, however, add a "human face" to the programme - which may be difficult in the face of declining foreign aid.

The plan was implemented in 1990 by President Rafael Callejas of the National party, who renegotiated foreign debt and paid some \$600m in arrears, began a privatisation programme, and liberalised the economy.

Although the economy has stabilised this year and the government is predicting 6 per cent growth, rising prices of basic foodstuffs, a swift devaluation of the lempira, plus an increase in poverty, produced a "punishment vote" against the National party, say observers.

The country of 5.5m people has some of the poorest social indicators in the Americas. Despite a growth in non-traditional exports, including shrimp and melons, it remains captive to the volatile prices of coffee and bananas, which account for almost two-thirds of exports.

One central challenge for Mr Reina will be to reform the Honduran army, the dominant political force in recent decades.



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## NEWS: WORLD TRADE

# Fears grow over services liberalisation

By Frances Williams in Geneva



Trade diplomats yesterday voiced fears that continuing differences between the US and the European Union could sabotage ambitious plans to liberalise services in the Uruguay Round of global trade talks.

With just two weeks of negotiating time left before the round ends in mid-December, divisions between the two biggest traders over financial services, ocean-going shipping and audio-visual services seem as intractable as ever.

Negotiators say failure to resolve any one of these issues would almost certainly lead to that sector being pulled off the table, with the risk that the others would follow.

"We might end up having no deal at all in services," one senior trade official warned yesterday, as US and EC services negotiators converged on Geneva in an effort to make progress before tomorrow's crucial meeting in Brussels between Sir Leon Brittan, EU trade commissioner, and Mr Mickey Kantor, US trade representative.

Mr Lawrence Summers, US treasury undersecretary for international affairs, and Mr Rufus Yerxa, US deputy trade representative, yesterday met Mr Peter Sutherland, head of the General Agreement on Tariffs and Trade, and key trading partners, including the EU, to explain Washington's controversial plan for two-tier access to the US financial market.

The proposal, which has aroused a storm of protest from Gatt members, would distinguish between countries that have or have not, in

Washington's judgment, made adequate market opening offers of their own. While all countries would be given equal access to the present US market, only those with adequate offers would be able to benefit from future liberalisation.

The EU has already said the two-tier idea is unacceptable, and a number of developing countries have threatened to take their own financial services offers off the table, the exact reverse of what the US hoped to achieve.

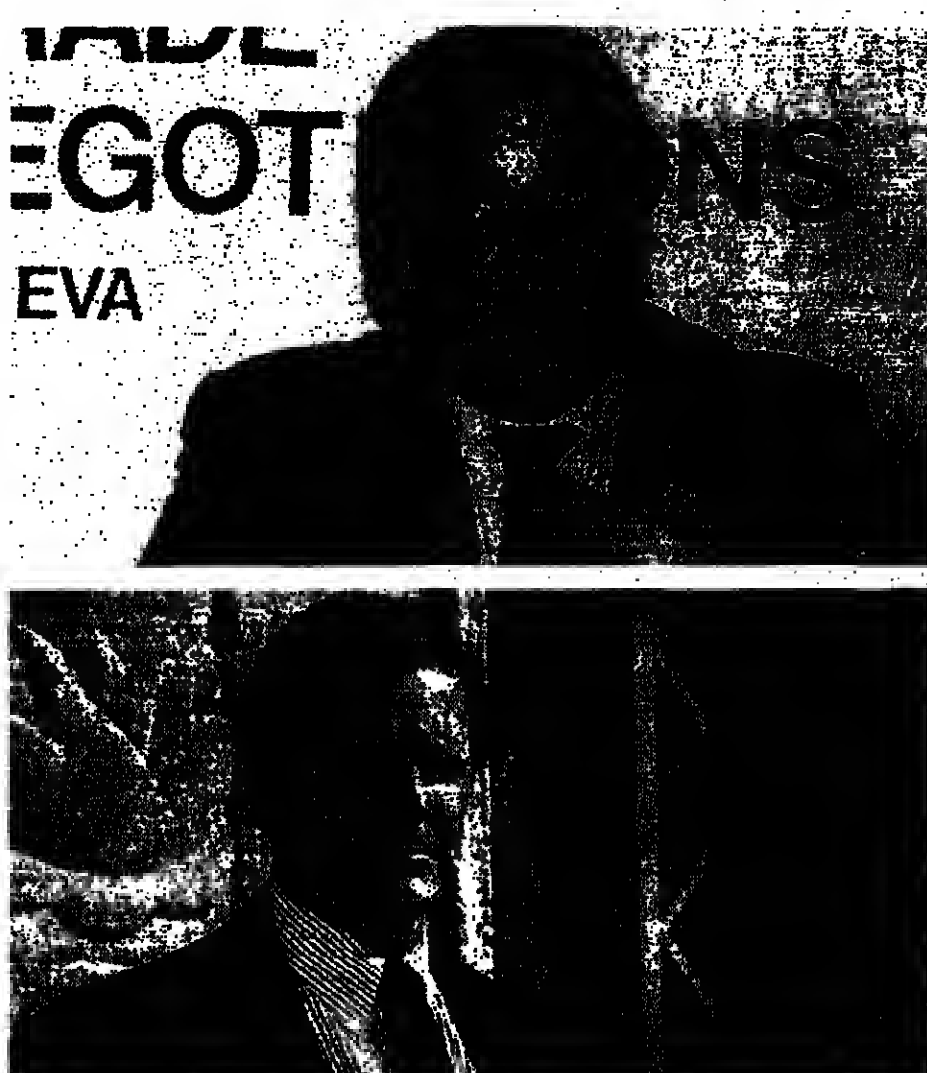
US officials stressed yesterday the alternative to the two-tier approach could be a move to pull the entire sector out of the Uruguay Round accord, leaving access to the US market to be determined by bilateral bargaining.

The US financial services industry, once a prime mover in the round, now says the offers by Japan and some other East Asian and Latin American nations are too poor to justify opening the US market equally to all comers, as the draft services agreement requires.

In the maritime sector, the US is holding firm in refusing to include ocean-going shipping in its services liberalisation offer. EU officials, say this sector is of vital importance for members Denmark and Greece, and they may be obliged to pull audiovisual services out of the agreement if deep-sea shipping is excluded.

The Commission is hoping to secure ministerial approval on Thursday for its stance on audiovisual services, such as films and television programmes, which would keep the sector within the services accord but with important restrictions.

These restrictions, certain to be opposed by Washington, include exemption of audiovisual services from the general requirement to negotiate away remaining trade curbs.



GATT chief Peter Sutherland (top) and US deputy trade representative Rufus Yerxa trying to thrash out differences over US financial markets

## COMPROMISE OFFER BEFORE GATT DEADLINE

# Japan may partially lift rice ban

By Eniko Terazono in Tokyo

Japan will present a compromise offer to partially lift its ban on rice imports to its trade partners under the Uruguay Round of multilateral trade talks early next month, government officials said yesterday.

After weeks of public denial that Japan and the US have been under negotiations over a plan to open Japan's rice market, the government has waited until the last minute before the December 15 deadline of the Uruguay Round officially to reveal Japan's position.

Mr Masayoshi Takemura, chief cabinet secretary, said the time had come for the Japanese government to seriously sort out its options on the rice issue. Japan is poised to propose a plan in which it will accept minimum access of 4 to 8 per cent, and a six-year moratorium period before tariffication of foreign rice imports.

The government is trying to convince those who oppose rice imports, by stressing the danger of Japan being blamed for the failure of the talks if it does not agree to a compromise deal on rice. Last weekend, Mr Takemura said Japan could not break up the Uruguay Round, and it would have to allow foreign access to the rice market. Mr Yuchi Ichikawa, secretary general of the Komeito, a member of the seven-party government, also expressed support for a compromise deal.

Mr Takemura said the partial lifting of the import ban would not contradict a parliamentary resolution and an agreement within the coalition opposing the replacement of the ban with tariffs.

The government faces staunch opposition from the Socialist party, also a member of the coalition. The party has a large support base in rural areas of Japan, and has threatened to walk out of the coalition if the government reaches a decision to lift the import ban. Mr Takemura, yesterday went out of his way to try and win over the socialists.

France wants the European Union to come to a quick agreement to beef up its defences against dumping and other unfair trade practices, as insurance against the US agreeing to submit itself to multilateral disciplines to a new world trade organisation.

Mr Alain Juppé, foreign minister, said in an interview with Les Echos, the French business daily, that this issue would figure in today's Franco-German summit in Bonn.

"We wish to share with the Germans the same vision, a non-protectionist vision, but at the same time not one of the free market without any rules of the game," he said.

# 'Bio-piracy' under new fire

Frances Williams on concern at Gatt patents draft

The proposed Uruguay Round accord to strengthen worldwide protection of intellectual property, virtually unchallenged since it was drafted two years ago, has resurfaced as a focus of discontent.

In a belated and almost certainly doomed effort to change the terms of the accord before the global trade talks are due to end on December 15, representatives from groups as diverse as Guaymí Indians in Panama, Indian farmers and Latin American drug manufacturers have been trooping through Geneva to air their grievances.

Last week the pharmaceutical industries of Canada, Egypt, India and 13 Latin American countries issued a chilling warning on the consequences of obligatory protection of pharmaceutical patents. This, they claim, will reinforce monopoly rights of the leading drugs multinationals, raise domestic drug prices by as much as 1,000 per cent, increase the costs of essential health care and put much of their indigenous pharmaceutical industries out of business.

In the past, industries in these countries have been able to copy patent medicines, often without paying royalties, which has enabled them to produce drugs cheaply for home consumption and undercut patent-holders in export markets.

The new rules would stop unauthorised copying by placing strict limits on government powers to license production of a patented drug without the patent holder's consent. This would be possible on payment of an "adequate" royalty only if a company refused to authorise use of the patent "on reasonable commercial terms and conditions".

Gatt officials concede that industries in countries obliged to introduce pharmaceutical patent protection for the first time will have their long-term prospects dimmed. However, in the short term, production of existing drugs will not be affected. Nor will production of most new drugs coming on the market in the next 10 years or so because they stem from innovations already made and patented and now going through the lengthy process of testing and authorisation.

and even more emotive issue - "patents on life" - is less easily disposed of. The draft accord specifically allows countries to exclude animal and plant inventions (and biotechnological processes for their production).

But many environmental and third world development groups argue that it should outlaw patents on life-forms altogether on the grounds that it sanctions "bio-piracy" or the expropriation of poor-country resources by rich-country drug multinationals.

Indian farmers have demonstrated in their hundreds of thousands against the patent-

Rockville, Maryland, where it can be drawn on for genetic research.

The Guaymí woman's cell line is of special interest to researchers because - some Guaymí people, the largest indigenous group in Panama, carry a unique virus and its antibodies which may prove useful in AIDS and leukaemia research.

The draft Gatt intellectual property agreement contains some safeguards against exploitation, but not much. Apart from the permitted exclusion from patenting of plants and animals, it requires patented items to be the product of an invention, not a discovery of something occurring naturally.

The Guaymí patent application did not deal with an invention "but rather the discovery of an antibody which is part of the blood of the Guaymí woman," Mr Isidro Acosta, president of the Guaymí General Congress, wrote to Mr Ron Brown, US commerce secretary, last month.

However, such objections can be circumvented by quite minor modifications or by the patenting of techniques to stabilise genetic material or extract it from its source.

The Gatt accord provides for a review of the "patents on life" provisions four years after coming into force (probably some time in 1998). The battle lines are already being drawn between Washington, which wants greater international patent protection for life forms, and a growing body of opinion keen to see better safeguards and fairer sharing between rich and poor of the benefits of gene-related research.

## Discontent centres on opposition to the notion of 'patents on life'

A bid by Washington to secure "pipeline" protection for pharmaceuticals, which would have involved retroactive recognition of patents, was firmly rejected by other nations. US negotiators, though not yet the US industry, appear to have abandoned the strategy.

Gatt officials also point out that the alternative to a Gatt accord would not be the status quo but increased bilateral pressure from the US, which has already secured better terms for its pharmaceutical industry from several developing countries under threat of trade reprisals.

"On the whole, governments think this agreement is as good as they will get and they don't want to re-open it for fear of something worse," says a senior trade official.

The other main contentions

ing of plant varieties, which they fear will threaten traditional breeding of seed hybrids and the sale or exchange of seeds among farmers. Though plants as such are excluded, the Gatt accord will require new plant varieties to be protected by patents or other means.

Even more concern has been expressed over the patenting of human genetic material, highlighted recently when a Canadian-based third world development group uncovered a patent claim by the US secretary of commerce on a Guaymí Indian cell line. The blood sample from which it was derived was taken from a 28-year-old Guaymí Indian woman while she was being treated for leukaemia in a Panama hospital. It is now held by the American Type Culture Collection, in

# China signs two Brazil ventures

By Angus Foster in São Paulo

Brazil and China, two of the world's largest developing countries, have signed two agreements in an effort to boost trade during a week-long visit to Brazil by China's president Jiang Zemin and foreign minister Qian Qichen.

The two sides have also agreed a \$100m joint venture satellite project, where the first of two planned Brazilian-owned satellites is scheduled to be launched in October 1996 by a Chinese rocket.

have appeared in Brazilian shops as the country has lowered tariff barriers.

China is to set up a joint venture to extract iron ore from the huge Carajás mines in northern Brazil. This will be shipped to supply China's growing steel industry.

The two sides have also agreed a \$100m joint venture satellite project, where the first of two planned Brazilian-owned satellites is scheduled to be launched in October 1996 by a Chinese rocket.

The satellite will be used to monitor atmospheric pollution and forest reserves.

John Burton adds from Seoul: Samsung Aerospace yesterday signed a memorandum of understanding with Aviation Industries of China (Avic) to develop mid-size commuter aircraft with 50 to 100 seats.

It is the third civilian aviation project to be announced in as many months by a Korean company and the second involving Avic.

Daewoo Heavy Industries and Korean Air are also co-operating with Avic in developing passenger jets with a 100-150 seat capacity.

The two Sino-Korean projects are meant to tap the potentially large aircraft market in China, while reducing both countries' dependence on western aircraft manufacturers by developing their own aerospace industries.

Samsung estimates that the Chinese demand for commuter airliners could reach 200-300 aircraft by 2010, while Korea may need 100.

The Phoenix project involving Samsung and Avic will begin development of the airliner next year and plans to start production in 1998.

# Fortis again reports good results

In the first nine months of 1993 Fortis again reported good results. Compared with the first three quarters of 1992, the operating result rose to ECU 343.8 million, an improvement of 15%. Net profit increased by 19% to ECU 357.1 million and total revenues were 11% higher at ECU 6.9 billion.

Key figures Fortis first three quarters 1993				
In ECU million	1993	1992	% increase	
Total revenues	6,885	6,205	+11	
Operating result	343.8	299.0	+15	
Profit	357.1	300.8	+19	
	30-09-1993	31-12-1992		
Net equity	3,723	3,340		

1 ECU = 0.78 Sterling

Key figures parent companies first three quarters 1993				
	AG Group (in BEF)	N.V. AMEV (in NLG)		
	1993	1992	1993	1992
Earnings per ordinary share	209.0	173.7	6.14	5.54
	30-09-1993	31-12-1992	30-09-1993	31-12-1992
Equity per ordinary share	2,154	1,858	74.30	67.44

100 BEF = 1.36 Sterling  
1 NLG = 0.36 Sterling  
Adjusted

**Prospects: Fortis stands by forecast**

The results of Fortis up to and including the third quarter of 1993 show a satisfactory improvement. Fortis stands by its earlier forecast for 1993, despite the difficult market conditions and the uncertain economic developments in most of the countries in which Fortis is active. Barring unforeseen developments and sharp interest rate movements, Fortis expects a higher level of operating result and net profit for the full year.

**Fortis: a trusted force in financial services**

Fortis is an international insurance and banking group. The group was created in 1990 when AG and AMEV/ASB combined their operational activities. Fortis' parent companies are AG Group from Belgium and N.V. AMEV from the Netherlands. The group's operations are widely spread, both geographically and in terms of products. Since its creation the group has implemented its strategy resolutely, actively exploiting new opportunities.

If you would like to receive a copy of the first three quarters report of Fortis and its two parent companies, please contact Fortis Communication:

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Fax: 32 (0)2 2208092

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AG Group and N.V. AMEV  
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JP 11/93



Details of dialogue emerge as Mayhew wins backing of MPs • Adams says London behind leak

## Sinn Féin accuses government of duplicity

By Jimmy Burns and Roland Rudd

Sinn Féin, the IRA's political wing, yesterday accused the British government of duplicity, while at the same time declaring that it remained committed to helping secure peace in Northern Ireland.

Mr Gerry Adams, Sinn Féin president, accused the British government of being behind the leaking by unionist politicians of details of secret talks between intermediaries and Sinn Féin. He said that the aim was to divert "public attention from IRA conditions for peace".

Four hours before Mr Patrick Mayhew, the Northern Ireland Secretary, made his statement to the House of Commons, Mr Adams held a press conference in Belfast to release three documents - two from government representatives and one

from Sinn Féin - which he claimed made clear that "the British were quite blatantly abusing the lines of communication for their own narrow, short-term interests".

But he produced no documents to support his central allegation that an IRA offer in March of a two-week ceasefire in return for talks had been rejected by the government.

The most recent document produced by Sinn Féin yesterday - dated November 5 - contained a British offer of talks in return for permanent cessation of hostilities.

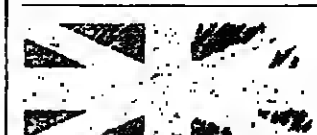
In London, meanwhile, Sir Patrick Mayhew's statement on the recent contacts between the government and the IRA received the overwhelming backing of MPs.

Ministers were relieved to hear no criticism from Mr James Molyneux, leader of the official Ulster Unionists.

The government also received crucial support from its right wing. Mr Andrew Hunter, chairman of the Conservative backbencher committee on Northern Ireland, said Sir Patrick had acted "entirely correctly and honourably".

Labour also supported the government's approach. Although Mr Kevin McNamara, the party's Northern Ireland spokesman, talked of the government's "recent mis-

### Britain in brief



### Railtrack in row over pricing policy

Railtrack, the authority which will run the infrastructure of Britain's railways from next April, has become embroiled in a row with the Treasury over its pricing plans following privatisation.

The company believes the value of its assets, set at around £7bn by British Rail, are worth no more than £5bn and could be worth as little as £3bn. A downward valuation of Railtrack's assets would enable the company to set lower prices for the use of its track.

It believes that lower charges would encourage more private operators and BR management has-onts to bid for franchises under the government's rail privatisation initiative. The Treasury has refused to countenance a downward revaluation of Railtrack's assets. It believes that on a replacement cost basis the track is worth at least £7bn.

### Labour urge tax rethink

Britain's opposition Labour party yesterday urged Mr Kenneth Clarke, the chancellor of the exchequer, to abandon the imposition of value added tax on fuel and to deliver a substantial increase in investment in his first budget today.

Mr Gordon Brown, the party's chief finance spokesman, told a meeting of Labour MPs that the budget should maintain public services, introduce an emergency job creation programme, and rebuild Britain's social and economic fabric.

Mr Brown also released a pamphlet, published by the Tribune group, setting out details of his claim that tax revenues could be increased by £10bn by closing tax loopholes.

### Few jobs for Swan workers

Fewer than 20 per cent of the employees made redundant at Swan Huoter, the Tyneside shipyard, have so far found a job, according to a union survey following the yard's decision to call in receivers six months ago.

The survey highlights the disparity of job opportunities for different employee categories. Fewer than one in ten ancillary workers, pipeworkers, painters and woodmachinists had found work, and 88 per cent of fitters and 85 per cent of electricians and steelworkers were still jobless.

Among white-collar employees more than three in ten had found work. The most successful jobhunters were managers, with 50 per cent in new jobs.

### Bank to set up new office

Singer & Friedlander, the merchant bank, is to set up a development capital subsidiary in Leeds, to operate throughout the UK.

It will be funded from the merchant bank's resources and invest from £500,000 upwards in management buy-outs and buy-ins, capital restructuring, organic expansion and acquisitions.

### Charity plans to buy warship

A Scottish charity plans to buy a 40-year-old Russian warship and bring it to Scotland to help house the homeless and give new job-skills to the unemployed.

The Flanders Scottish Alliance, a charity that dates back to World War One, has paid a £200,000 (£125,000 deposit on the Varyag class heavy cruiser identified only by its number - 197.

Mr Kevin Earnshaw, a spokesman for the charity, said the cruiser was fully equipped with showers, toilets, kitchens and laundry facilities for its 1,500 crew.

## Veil is lifted on secret contacts

David Owen on papers which might have remained unread for 30 years

It was in the wake of the Greysteel shootings that the mask slipped.

Within three days of this murder of seven halloween revellers by loyalist gunmen, the British government received a dramatic and panicky message from the provisional IRA leadership.

"Please tell us... as a matter of urgency when you will open dialogue in the event of a total end to hostilities," the message said. "We believe that the country could be at the point of no return."

Coming after eight months of tense and fitful dialogue, conducted in the strictest secrecy, it was the clearest possible signal that it was time to act.

Three days later on November 5 - as Mr Douglas Hurd, the foreign secretary, paid his first visit to Northern Ireland for eight years - the government did just that. It opened its terms for a face-to-face meeting with the Provisionals within 75 days, in the middle of January.

If the IRA delivered a genuine end to violence "within the next few days", the government said, a first meeting for

"exploratory dialogue" would take place within a week of parliament's return on January 11.

The government would be represented by "senior officials." The proposed interval would be to "demonstrate the genuineness of the ending of violence."

This message would have landed on the desk of the provisional leadership less than 24 hours after the Ulster Unionist party leader Mr James Molyneux - who has an effective veto on the shape of any political settlement - said Sinn Féin would have to wait at least five years before gaining admission into the democratic process.

It came just four days after Mr Major told MPs that talking to Mr Adams and the IRA would "turn my stomach".

These events of just four weeks ago, are the most dramatic of the exchanges covered by the nearly 40 pages of documents released by the government yesterday.

But they are merely the culmination of a top-secret dialogue which began - at the instigation of provisional leaders - in February.

The documents released yesterday are an extraordinary record of a discussion so far which, had it remained secret, would probably not have seen the light of day for 30 years.

They indicate that the government set out its conditions for beginning talks with provisional IRA leaders as early as March - on the very eve of the Warrington bomb blast which killed two children and saw worldwide condemnation of the IRA's methods.

They show that the provisionals subsequently expressed their "total sadness" in accepting responsibility for this bombing in an extraordinary oral message.

They suggest that relations between the provisionals and the government cooled significantly after the support of nine Ulster Unionist MPs helped

prime minister John Major secure the ratification of the Maastricht treaty in late July.

Indeed, there seems to have been a serious danger of contacts being broken off during the summer, with the provisional leadership declaring itself "perplexed" and the government admitting: "Minds do not seem to be meeting."

The first contact referred to in the papers took place on February 22 in the form of an oral message from provisional leaders that the conflict was over. "We need your advice on how to bring it to a close," the message said. "We wish to have an unannounced ceasefire in order to hold dialogue leading to peace."

About six weeks earlier, Sir Patrick Mayhew, the Northern Ireland secretary, had said publicly for the first time that pressure within the IRA for an end to violence was mounting.

The government delivered a brief seven-line response four days later, promising to take the overture "seriously and at face value". On February 26 - the day the message was sent - a bomb exploded at a Warrington gasworks.

predict a fall in public borrowing from about £50bn this financial year to roughly £40bn in 1994-95.

The City is expecting the chancellor to unveil a £2bn tax rise from next April, on top of the £8.7bn already announced. Mr Clarke may also shave £1bn to £2bn off the public spending control total for 1994-95, previously set at £253.5bn.

Shrugged off a large fall in Japanese stocks to gain 24.4 for a close of \$1,358.

Sterling was also strong, rising 1 pence against the D-Mark to close at DM2.5425, while against the dollar it put on nearly 1 cent to finish at \$1.4880.

Long-dated gilts gained a quarter of a point on expectations that Mr Clarke would

## Buoyant figures give pre-budget boost for Clarke

By Peter Marsh, Economics Correspondent

Mr Kenneth Clarke, the chancellor of the exchequer, was given a pre-budget fillip yesterday with further evidence that the UK economy is continuing its recovery.

A rise in the money supply and indications of a sharp increase in manufacturing out-

put will encourage the chancellor later today as he delivers a budget statement expected to concentrate on reducing the large fiscal deficit through a modest tax rise.

M0, the narrow measure of the money supply, rose 5.1 per cent in the year to November to continue recent strong growth which has underlined buoyant consumer spending.

Sentiment about an upturn will be helped by a survey today from the Chartered Institute of Purchasing and Supply which showed manufacturing orders and output grew strongly this month.

Although the seasonally-adjusted M0 figure was lower than the 5.4 per cent rise in the year to October, growth in notes and coins, which

accounts for 90 per cent of the mass, was particularly strong. This jumped 5.5 per cent in the year to this month, after a comparable 5.3 per cent in the 12 months to October, and indicated that consumers are spending relatively freely.

The economic data heartened investors on the London stock market, where the FT-SE 100 index of leading shares

shrugged off a large fall in Japanese stocks to gain 24.4 for a close of \$1,358.

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## Virgin to launch new air service to Dublin

By Paul Betts, Aerospace Correspondent

Mr Richard Branson's Virgin Atlantic Airways is finalising an agreement with a new Irish airline to start a franchised service from London City Airport to Dublin.

Virgin yesterday said negotiations with CityJet, a new privately-owned Irish carrier, were "very advanced" and that an agreement was likely before the end of this week.

The Irish airline will operate British Aerospace 146 jets on Virgin licensed services.

Under the agreement, the aircraft will be painted in Virgin livery and Mr Branson's airline will provide support for maintenance, catering, marketing, sales and training.

The Irish carrier plans to operate up to five services a day between Dublin and the City airport in London's Docklands.

Although Virgin intends to continue focusing on long haul routes, Mr Branson sees franchising as an opportunity to expand in the European market. A Virgin official said the airline expected to negotiate other franchising European airline deals.

Virgin launched last March its first European franchising operation with a Greek charter carrier called South East European Airlines.

The new Dublin service will also be a boost for London City airport which announced yesterday the start of the first UK domestic service from the Docklands airport.

A Belgian airline, VLM, will begin in January a twice daily service from Liverpool to London City using a Fokker 50 aircraft.

Until now, airlines using London City have operated services from the Docklands to continental European destinations.

The new Liverpool service is also the first example since the liberalisation of the European air transport industry of a foreign carrier operating a domestic service in the UK.

The Belgian carrier currently operates services between London City and Antwerp.

## Managers 'prefer BT to Mercury'

By Andrew Adonis

British Telecommunications provides a better service than Mercury, according to a survey of telecommunications managers in large UK companies.

On a scale of one to 10, BT was rated at an average of 6.95 against 6.18 for Mercury, in the survey of 439 companies by the Telecommunications Managers Association. Nearly half the companies surveyed have an annual telecom expenditure of more than £5m.

Competing aggressively on price, Mercury has about two thirds of outgoing long distance traffic from the city of London, although its national

market share is only around 10 per cent.

Mr David Harrington, director general of the TMA, said: "BT's strength is the resilience of its network, which is widely seen to be greater than Mercury's. They have got more people on the ground."

Whereas most telecom managers claimed to have a "good understanding" of pricing packages, the growing complexity of tariffs was a source of concern.

A large number of companies said they planned to use network operators which have entered the UK markets since the abolition of the BT/Mercury duopoly in 1991.

## Survey shows travellers' 'fear' of Channel tunnel

By Diane Summers, Marketing Correspondent

Three-quarters of adults say they are unlikely ever to use the Anglo-French Channel tunnel, according to a survey published today by the market research organisation Mintel.

Fear is a large element of the apparent hostility towards the new service, which is due to start in May 1994. Mintel said more than half of the 1,000 adults questioned were "fearful that the tunnel would increase the risk of rabies and other diseases entering the UK".

Other expressed concern that the tunnel could be a target for terrorists.

Professional male business travellers, particularly those living in London, are most enthusiastic but, overall, only 15 per cent of those living in the south say they are likely to use the service, in spite of living so close to it.

Mintel describes the responses as "unduly negative" and said it believed opinions would change when the tunnel opened. "For many people the concept of actually travelling through the tunnel feels like something which is still years away, due to the various delays and the media coverage of all the controversy surrounding its construction."

A sceptical 7 per cent of those questioned said they did not believe the project would ever be finished and nearly a third thought the scheme a "waste of time".

Eurotunnel said the survey was carried out in June, before it launched an advertising campaign explaining how the system will work.

It noted that a wide cross-section of the population was questioned rather than current cross-Channel travellers. A spokeswoman said other surveys have shown that 50 per cent of ferry users say they will use the tunnel.

The Channel Tunnel, Mintel, 18-19 Long Lane, London EC1A 9HE. £375

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## Nissan UK suffers 61% drop in profits after losing franchise

By Kevin Done, Motor Industry Correspondent

Nissan UK, the former importer/distributor of Nissan vehicles controlled by Mr Octav Botnar, suffered a 61.3 per cent fall in pre-tax profits to £24.57m in the year to the end of July 1992 from £64.2m a year earlier.

The company, which was at the heart of the biggest corporate tax fraud in Britain, is fighting in the

High Court against a petition from the Inland Revenue seeking to put the company into liquidation.

The High Court has appointed Mr Colin Bird and Mr Dipankar Ghosh as accountants Price Waterhouse as provisional liquidators of NUK. This appointment was extended yesterday pending a hearing of the case.

NUK is challenging both the appointment of the provisional liquidators and the winding up petition.

According to the company's latest annual report, Nissan UK turnover in the year to July 1992 fell by 47.7 per cent to £207.8m from £588.8m a year earlier. The company was deprived of the franchise to import and distribute Nissan vehicles in Britain with effect from the end of 1991.

According to its latest directors' report signed at the end of October 1993 NUK is now chiefly engaged in

property in the leasing of dealerships to car retailers.

The report says NUK intends "to maximise income and profits from the company's property portfolio in the hope that the market for retail garage properties will improve".

Following the loss of the Nissan franchise, NUK completed the disposal of its parts business and remaining vehicle stocks by February this year, says the report.

The board of NUK now has just two members, Mr Botnar and Mr Manfred Weder, a Swiss lawyer.

The annual report shows that Mr Botnar was paid £316,000 by NUK in 1991/92, but it also reveals that another unidentified director received emoluments totalling £1,83m excluding pension.

Mr Botnar, aged 80, who remains chairman of NUK, has been living in Switzerland and has not returned to

the UK since January 1992, when a warrant was issued for his arrest.

The report shows that Mr Michael Hunt, former assistant managing director of Nissan UK, resigned from the board on June 28. He was jailed on June 30 for eight years for his part in the NUK tax fraud. He is currently appealing against both his conviction and sentence, and the appeal is expected to be heard in early 1994.

## Rivet pioneers set sights on car industry

New technology has given manufacturers an alternative to welding, writes John Griffiths

Mr Keith Jones, managing director of Henrob, the Welsh company was flying to Detroit yesterday to hold talks with US manufacturers on applying its self-piercing riveting technology which he says is gaining momentum every month.

Its partnership with Audi, the German car maker, marks the first application of the technology, rather than spot welding, to a complete car body assembly. Mr Jones says there are few limits to the growth of the process in the motor industry.

Henrob, says Mr Jones, had been "pushing" its technology for some time, "but everyone was comfortable with their spot welding."

When the technology changed, with aluminium and plastic coming in as the need

has grown for lighter vehicles. At that point, they [Audi] realised that welding wasn't suitable - and at that point it became really exciting for us".

Henrob is already active in other fields - some 1,000 of its riveting machines are installed world wide in applications such as washing machine assembly lines in Iran and India. The electronically-operated roof of Toyota's Skydome all-weather sports stadium is held together by Henrob's system.

In the motor industry, manufacturers are realising the technology is applicable to steel as well as aluminium, particularly as they move to corrosion-resistant coated steels. Spot welding can destroy the coating and leave vehicles vulnerable to rusting.

Ford US, in a research paper presented to the International Body Engineering Conference in Detroit in September, said: "Only the self-piercing rivet shows a significant strength advantage over spot welds."

The size of the potential market is enormous. "There are about 130bn spot welds put into cars each year - an average of 3,000 per vehicle", points out Mr Jones.

There is no heat involved in the new process, so it can join unlike materials, such as the plastic composite body panels some vehicle makers are using as an alternative to steel.

Other advantages claimed are low energy consumption, near-noiseless operation and only about half the investment. But Henrob executives accept that the motor indus-

try's need to amortise large investments in spot welding plant and equipment makes an "overnight" switch to pierce riveting unlikely.

"The machine and rivets now installed at Audi's Ingolstadt plant have all been designed and manufactured at Flint, Wales."

The French Peugeot group has also begun introducing a simpler form of the technology to assemble part of the body shell of its 105 and 305 car ranges. A simplified form of the process is being used to assemble seats for Ford's new Mondeo model.

"Only" 65 per cent of joints on the Audi aluminium car are riveted because the design of the car was under way when Henrob was approached. "Now that the technology has been

accepted future cars will be designed with it in mind from the start", says Mr Jones.

Henrob set up at Flint in 1988 - helped by a £200,000 grant from the Welsh Office - after acquiring technology rights which originated in Australia.

It is investing £1.8m in expansion, creating 20 jobs in addition to the current 34, and Mr Jones predicts "significant" further growth in employment.

The company has enjoyed a 40 per cent growth in turnover this year "and we're expecting 80 per cent compound over the next three years", says Mr Jones.

More than 80 per cent of Henrob's output is exported. Although small, the Flint plant produces several million rivets of varying size each week.



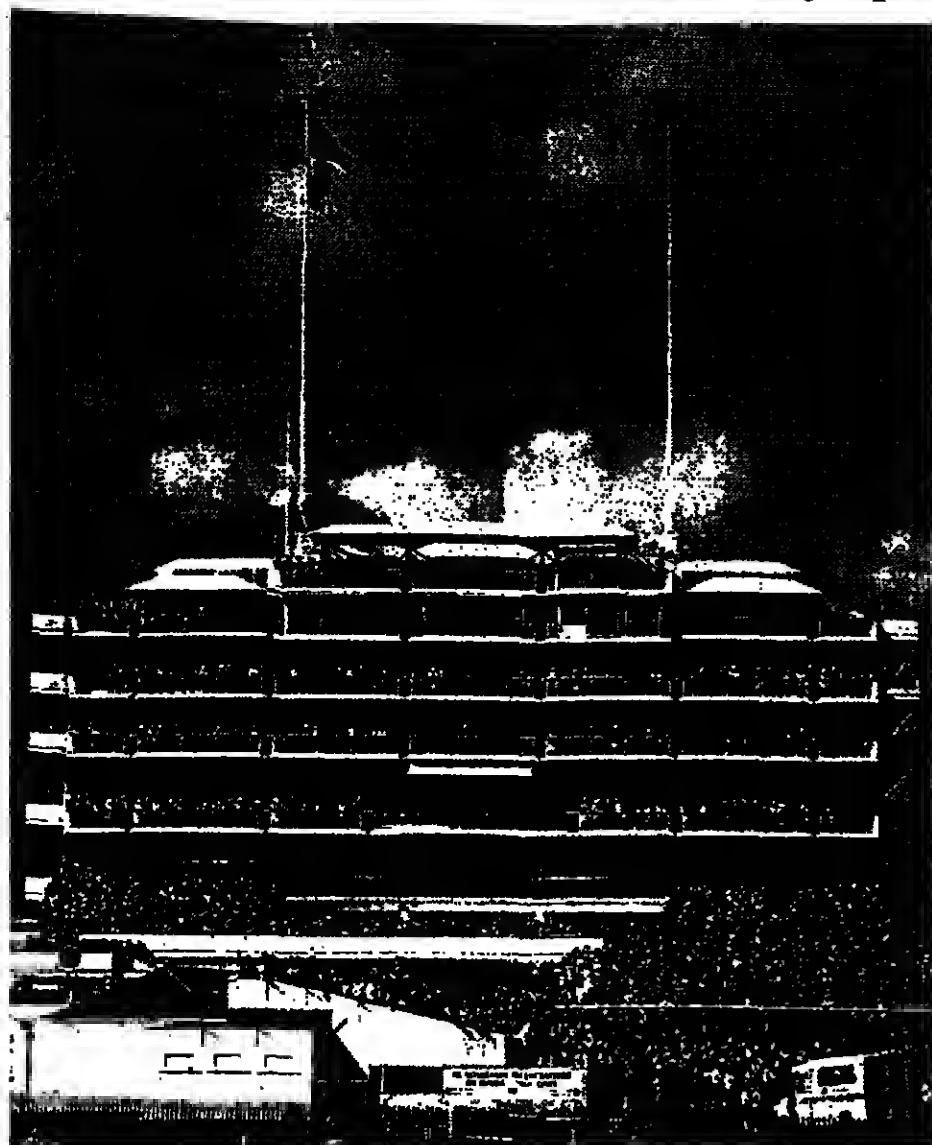
Keith Jones: Henrob has pushed rivet technology for some time



## THE FT ARCHITECTURE AWARD

## Horden gallops past the post with a classic

Colin Amery reports on the 'high-tech' appeal of this year's winning entry



The winner, a pedigree product: Richard Horden's Queen's Stand, Epsom Racecourse

Two English obsessions were united in the presentation yesterday of the Financial Times Architecture Award to the designers of The Queen's Stand at Epsom Racecourse - horse racing and "high-tech" architecture.

Some critics might say that the third national obsession, gambling, was also part of the winning equation. The architect, Richard Horden Associates, is a young practice, set up in London in 1985, and it was an adventurous choice - indeed something of a gamble - for United Racecourses to choose it for this prestigious commission at Epsom, Surrey.

This chairman of United Racecourses is Sir Evelyn de Rothschild - a man used to winning in the world but also a man with a stern eye for quality. The members of the jury of the FT Award were unanimous in their selection of The Queen's Stand as this year's winner - they were in fact bowled over by the consummate elegance and practical beauty of the design.

What is "high-tech" architecture and why is it a purely English obsession? Put simply, it is an architecture that celebrates the glories of contemporary technology and turns mere functionalism into something expressive - almost poetic.

"High-tech" buildings such as the Lloyd's building in the City of London elevate the language of engineering and structure above and beyond any simple single purpose or function. There is something almost gothic about the expressiveness of structures which combine with an enjoyment of

the symbolism of our times.

"High-tech" architects enjoy new materials and the application of technologies learned in other fields to the development of architecture. Many sources of ideas are plundered to feed the god of high technology - architects have learned from car manufacturing, prefabrication and space and rocket technology; and marine engineering, aeronautics, and computing has also nourished its growth.

Why is it so much an English phenomenon? Architects would say that "high-tech" grew out of engineering and the pioneering traditions of designs like the Crystal Palace by Sir Joseph Paxton, or Brunel's bridges and railway stations. But it is also closely linked to ship and aircraft design - the skills that went into Concorde and the QE2 have also enriched "high-tech" architecture.

England's "high-tech" pioneers such as Sir Norman Foster and Nicholas Grimshaw are enthralled by yachts and aircraft - indeed, Sir Norman is famous for arriving at site meetings by helicopter.

Richard Horden, this year's winner of the Financial Times Architecture Award, is a pedigree product of the best "high-tech" tradition. He started in an office with Nicholas Grimshaw and then worked for 10 years in Norman Foster's office. While he was with the Foster practice he was involved in the design of the Sainsbury Centre for the Visual Arts at the University of East Anglia, and the remarkable headquarters of the Hong Kong and Shanghai Bank in Hong Kong. He also helped evolve the early design

of the Nimes art gallery and the Stansted airport proposals.

On setting up his own practice Horden faced the problem of how to utilise his experience of working with the design leaders of the profession while developing a distinctive style of his own.

During the early 1980s he was fortunate to secure several commissions for private houses. An aluminium house in the New Forest generated several revolutionary ideas. He was also teaching and continuing

The Queen's Stand at Epsom is beautifully sited and has a remarkable view of the Epsom Downs and the surrounding seven counties. The club stand, opposite the finishing line of the racecourse, is located on a hillside. The brief demanded a series of balconies and terraces with a clear view of the course. It was natural for the architect to draw parallels with a large ocean liner with sleek deck forms. Masts and flagpoles add to the impression of a ship, especially



The roof draws parallels with the sleek form of an ocean liner

ing to practice his own particular interest in yachting and boat design.

Like many of the best contemporary architects Horden moved into the design of furniture and interiors. His small "Yacht House" and "Ski House" projects are the result of his own wide sailing experience and his work with yachting engineers and carbon craftsmen. Direct work in the factory gives Horden an edge over many of his contemporaries: a sense of control is evident in his buildings.

as the whole building is painted white.

Continuous balconies create the scale of a grandstand and provide racegoers with views of the Royal box and of other racecourses as well as the horses. While the stand is well equipped for racegoers it also has fine facilities for jockeys.

Part of the competition brief for the stand (which was drawn up in 1988) was that the building should be in use for as much of the year as possible for functions and entertaining. It runs like a great hotel on the

Downs and the sleekness of the design makes it an agreeably neutral setting that can be transformed easily for a variety of events.

The design team included engineers Ove Arup and Partners with Peter Rice and the quantity surveyors were Davis Langdon and Everest. Clyde Malby. Planning permission was granted in March 1991 and a phased fast-track construction programme allowed the completion of the whole project within 18 months.

Richard Horden has several promising successors in this award-winning building in the pipeline. His practice won the European-wide competition for a 100 metre high tower for Glasgow, to be built (funding permitting) in the city centre to mark the millennium. An important scheme for Shell UK for a new headquarters building in The Strand in London is currently awaiting planning consent. Land Securities and N.M. Rothschild have both commissioned important projects from the Horden practice.

Any visitor to the offices of this London firm, in Golden Square just behind Piccadilly Circus, will sense a new architectural spirit. The office includes a showroom and cafe and tourists are welcomed to glimpse the design process at the heart of the capital.

The FT jury felt that the Queen's Stand was magnificent and saw in it the seeds of many future projects of high quality. Awards should encourage as well as reward and Horden seems to have a golden future as one of Britain's band of world leaders in the "high tech" architectural market.

The Financial Times Architecture Award 1993 is the 26th to be made. It began life as the FT Industrial Architecture Award and grew out of a desire to find ways of improving the working environment in the 1960s.

Industry and manufacturing then took more conventional forms and the award juries were restricted to looking at the manufacturing process and its visual consequences. Looking back at those early

days it is significant to note how successful the juries were in spotting talent. Norman Foster, Richard Rogers, Nicholas Grimshaw and Michael Hopkins were all singled out as key developing talents long before they reached their current international fame.

This has been a record year with 154 entries - remarkable in a recession. The jury had a

new layman - Sir Simon Hornby, chairman of W.H. Smith and a former chairman of the Design Council. He is known for his interest in architecture and his own developed skills as a patron. The architect members were Nicholas Grimshaw and John Outram.

The FT has always tried to ensure that the jury represents

all sides of the architectural debate. Grimshaw is a leader of the "high tech" school and the opening of his Waterloo Channel Tunnel Eurostar Terminal is eagerly awaited. He is also currently engaged in the design of the new Herin Stock Exchange - a scheme he won in international competition. Outram has recently won two important architectural com-

petitions - the Judge Management School at the University of Cambridge and a key new facility for the Rice Campus of the University of Texas.

The jury always visits as long a "short list" of buildings as possible and this year the members were especially impressed by the very high architectural standards. The final shortlist of commended

schemes for 1993 was:

- Stansted Airport by Sir Norman Foster and Partners.
- Bracken House, City of London, by Michael Hopkins and Partners.
- Schlesinger Research Centre, Cambridge, by Michael Hopkins and Partners.
- Cranfield University Library by Sir Norman Foster and Partners.

The jury looked for that est-

ive quality in a winner which shows the hand of the architect in every aspect of the design. But a key realisation every year is that the best new buildings come about through the collaborative efforts of a good client with a talented architect. Such creative partnerships not only produce buildings but also provide a which are aesthetically rewarding.

C.A.

New Issue  
Closing  
November 25, 1993

All these Bonds having been sold,  
this advertisement appears as a  
matter of record only.

## The Council of Europe Resettlement Fund

for National Refugees and Over-Population in Europe  
Strasbourg/Paris

DM 100,000,000

6% Bonds with Interest Conversion Right  
of 1993/2003

Issue Price: 101.90%  
Interest Rate: 6% p.a., payable annually in arrears on November 26 of each year.  
Repayment: November 25, 2003 at par - unless the Conversion Right is exercised -  
Interest Conversion Right: The holder of a Fixed Rate Bond is entitled to convert the Fixed Rate Bond into a Floating Rate Note on the interest payment dates falling on November 25, 1996, 1997 or 1998. The Floating Rate Notes bear interest of 6-Months-DM-Libor less 0.10% p.a. and will be redeemed on November 25, 2011.  
Listing: Düsseldorf and Frankfurt/Main

Trinkaus & Burkhart  
Kommanditgesellschaft auf Aktien

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(Deutschland) AG

Banca del Gottardo

Bank Brussel Lambert N.V.

Bayerische Landesbank  
Girozentrale

BHF-BANK

Commerzbank  
Aktiengesellschaft

CSFB-Effektenbank  
Aktiengesellschaft

Deutsche Bank  
Aktiengesellschaft

Dresdner Bank  
Aktiengesellschaft

J. P. Morgan GmbH

Morgan Stanley GmbH

Schweizerische Bankgesellschaft  
(Deutschland) AG

Schweizerischer Bankverein  
(Deutschland) AG

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Elsässische Bank & Co.

Westdeutsche Landesbank Girozentrale

### LEGAL NOTICES

#### MAXWELL PRIVATE GROUP OF COMPANIES (IN ADMINISTRATION) NOTICE TO CREDITORS

The Joint Administrators of the Maxwell Private Group of Companies (in Administration) (The Administration Company) are currently administering the affairs of the companies of the Maxwell Private Group of Companies (the Companies) and are hereby giving notice to all creditors of the Companies that they should submit their claims to the Joint Administrators of the Maxwell Private Group of Companies at the following address:

The Joint Administrators of the Maxwell Private Group of Companies  
P.O. Box 65  
1 Surrey Street,  
WIGAN LANCASHIRE  
WIGAN LANCASHIRE

#### POTENTIAL MAXWELL CREDITOR COMPANIES

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# MANAGEMENT: THE GROWING BUSINESS

Local Exchange Trading Systems are taking off in nearly 200 communities across the UK, writes Lucy Kellaway

## Twelve acorns for a hair cut

What do you do when you have a product or a service to sell, but your customers have no money to buy? The answer is you shun sterling and "bucks" instead.

Recession has worked wonders for home-grown local currencies. Two years ago there were five. Now, nearly 200 towns and cities in the UK are busily buying and selling in their own units. Businesses including dentists, solicitors, shops and cafes are finding that receiving payment in local barter currencies is a lot better than not trading at all.

The networks, known as Local Exchange Trading Systems, started as a way of helping the unemployed use their skills. Members open an account in the local currency with a central administrator and are issued with a cheque book.

When one member buys something from another, the cheque is sent on to the central administrator who acts as banker, debiting one account and crediting the other. No physical tokens are involved.

Members enter their products or skills for sale in a local directory, with many members offering a range of services. Paul Johnson of Tradedink in Wiltshire is fairly typical: he will program your computer or decorate your house. The found-

ers of the scheme view money with strong suspicion and have a moral repugnance for the payment of interest. But Lets are now moving away from their hippy roots and businesses are beginning to accept payment in Lets units as part of a hard-nosed business strategy.

A solicitor in Stroud who accepts Lets payments does so because he recognises that it brings in customers who otherwise might not use a solicitor. Moreover, customers acquired in that way may be more likely to stay loyal.

"Initially we joined the scheme because we were new in the area and because we felt we couldn't say no," says Carolyn Whitwell of the Bishopston Trading company which runs five ethical clothing stores in the west country. "But now we do it out of pure self interest. Recession has hit us very badly and this is a way of creating a market for people who have no money."

The shop accepts 25 per cent of the value of its goods in Lets units, but when it increased the proportion to 50 per cent during a recent sale, it was surprised at how sharply its turnover increased.

While businesses are finding no shortage of customers willing to buy through Lets, some are struggling to spend the currency they have accumulated. In Stroud, which



has one of the oldest and biggest schemes with about 300 members, there are plans to employ a Lets councillor to show businesses how to meet many of their needs - decorating, electrical work, accountancy and so on - locally and pay for them through Lets.

Some enterprising companies have started paying their staff through Lets. At the Bishopston Trading Company, local residents

are being paid in Lets units to make clothes, thus not only meeting a genuine need, but easing the company's cash flow.

At Mills cafe in Stroud, meals and drinks can be bought via Lets and with the proceeds the proprietor is paying workers to till a nearby plot of land for her. Meanwhile, the owner of a market stall has earned enough Lets units to hire an architect to redesign his home.

As the idea of the schemes is to keep business within a community, they tend to work best in places where the spirit of the community is strong. Many of the people who are the keenest users like them because, unlike money, they make trading less impersonal.

"The years of Thatcherism have taken the humanity out of doing business," says Harry Turner of Letslink UK, the national co-ordinating body. "There are lots of people who prefer a more human way of doing things."

He describes his first Lets transaction when he had just moved to the town and was in need of a haircut. "I rang up someone in the directory to sort out a haircut and I took some of the cards I had made over. I ended up having a meal there and now we are friends."

Some larger towns have more than one network. In Bristol there

are two, each with a different ethos. One prides itself on its equality; all members must charge a standard rate for their services per hour, regardless of whether they are accountants or cleaners. The other, like most Lets, allows members to charge whatever they like. The second scheme, complains Carolyn Whitwell, is rather too heavy on people offering alternative healing or aromatherapy at fancy prices.

Lets keep tabs on how much each member of the scheme is trading and sends them regular statements. There are no credit limits: most feel that the local nature of the schemes as well as the types of products on offer will prevent people from spending a million bobbins and then doing a runner.

The Inland Revenue is watching the growth of Lets with interest. A spokeswoman said that if local currencies were used for occasional babysitting or gardening, the revenue would turn a blind eye. But if businesses were using them, all amounts should be declared in the usual way.

"And we want tax paid in sterling. The chancellor will not appreciate having his lawn mowed," she said.

Letlink 0865 217871



### Filing accounts can help your rivals

Filing accounts at Companies House, as required by law, is betraying vital information to competitors at home and abroad, according to the Small Business Bureau and the Union of Independent Companies.

Privately owned British manufacturing companies, particularly those with only one product range, have become "hopelessly exposed to both UK and foreign competition", the two groups say in a report.

Neil Hamilton, minister for corporate affairs and deregulation last year, has been sent the report which says sensitive information on small companies is more readily available in the UK than anywhere in the world. The SBB has asked Hamilton to persuade his European colleagues it is potentially damaging for small and medium-sized companies to publish accounts.

The SBB wants small companies, where shareholders are also directors, to be exempt from filing accounts. Hamilton is studying the issue.

*The Filing of Accounts at Companies Registry. Available from Small Business Bureau. Tel 0276 452010*

### Barclays lends more EIB money

Barclays Bank is revamping a scheme to lend European Investment Bank funds to small and medium-sized businesses making capital investments.

This Friday the EIB will provide Barclays with the first £50m line of low-cost credit - larger sums are expected later. The bank will lend between £30,000 and £10m for a minimum of four years.

Companies should have fewer than 500 employees and not fixed assets of less than £50m. The EIB will lend half of the total investment cost but borrowers do not need to borrow from Barclays for the balance.

Barclays has already lent £130m of EIB money over the last four years.

## Silk flowers and chips

Victor Mallet examines a father-son business in Thailand

Like his father, Richard Han is an entrepreneur to the core. When he was studying for his MBA at City University in London, the man who is now chief executive of Thailand's Hana Microelectronics Group had a sideline importing Thai silk flowers and selling them to shops such as Harrods.

He went on to exploit a loophole in British customs regulations, importing watch straps and cheap digital watch movements from his father's factory in Thailand (tariffs were lower than for completed watches), assembling them at home and selling them in Petticoat Lane, London; the business grew and he once sold 1m watches to Texaco for a UK petrol station promotion.

But when he returned to Thailand four years ago, Han, now 36, took on the more daunting task of turning round the troubled family business. In common with other second or third-generation ethnic Chinese businessmen, he was able to supplement the family's entrepreneurial skills with a more

modern management style, essential for the fast-growing, high-technology businesses at the forefront of south-east Asia's economic boom.

His Pukienese grandfather and his father Swie Yam Han had fled the anti-communist, anti-Chinese massacres in Indonesia in the 1960s and established car distribution and assembly businesses in Thailand.

His father, says Han, quickly "figured that micro-electronics was the thing to be in and he was absolutely right". Hana developed a profitable business making light-emitting diode and liquid crystal display watch modules, before moving on to the manufacture of circuitry for analogue quartz watches.

Then the company branched out into integrated circuits, creating Hana Semiconductor in 1984.

By the time Han returned to Thailand, Hana was suffering from two problems: the integrated circuit business was undercapitalised and the traditional management structure was such that nobody dared to tell his father - the revered, paternalistic and all-powerful boss - what was going wrong. Losses on the semiconductor business almost matched the watch profits and the watch market was becoming increasingly competitive.

"No manager ever told my father he was wrong," says Han. "In Thailand, because of this respect for one's elders, initiative in middle management is lacking."

His father's mistake, says Han, lay partly in creating a financial framework for the capital-intensive semiconductor business that was almost identical to the successful formula adopted for the more labour-intensive forerunners. "The capital was enough to buy half of one of those wirebonding machines," he says. "Now we've got 50 of them."

With his father still urging him to sell the semiconductor business, Han, applying what he had learned at business school in between

selling flowers and watches, set about raising money and building a new factory to introduce the economies of scale he believed were necessary.

Whereas his father had balked at mass production and thought Hana could operate as a "niche player", Han realised that customers wanted to be sure that Hana could produce large runs of good quality at a reasonable price.

"We are in a service industry. I'm not selling a product, I'm selling a service," he says.

Promising to go public, Han sold 10 per cent of the company to outside investors, who diluted the absolute power of the family and were able to offer advice on financial strategy in the boardroom.

Today, Hana is listed on the Stock

Exchange of Thailand and its shares - in contrast with those of other Thai electronics groups which have suffered falling profits - are sought after by foreign investors. Net profits have risen eightfold since 1988, and third-quarter profit this year was Baht84.7m (£2.34m), nearly double the figure in the same period last year.

Han says the company, which now employs 3,700 people, counts Kodak among its customers (it makes small circuit boards for Kodak cameras), is building a new factory in northern Thailand, will spend \$15m (£10m) on new equipment next year and is looking for suitable acquisitions.

Han credits his father for speeding time in Hong Kong and letting him tackle the restructuring. "It very much depends on the parent-son relationship," he says. "It depends if the father is willing to release the reins. There are companies where the father still retains a stranglehold over the whole operation."

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company seeks capital investment partner to expand existing national cover to Greater London during 1994. Investment required in the region of £150,000 for a return of around £450,000 over 20 years. Interested parties (Principals only) should contact the Chairman in strict confidence. Box 82073, Financial Times, One Southwark Bridge, London SE1 9HL.

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### CONTRACTS & TENDERS

- Warwickshire County Council is seeking to appoint a balanced fund manager company to manage an investment portfolio on behalf of the Warwickshire County Council Superannuation Fund.
- Notice was sent to the Official Journal of the European Communities (OJEC) on 9th November 1993.
- The following details should be read in conjunction with the "model notice - negotiated procedures" under the Services Directive 92/50/EEC.
1. Warwickshire County Council, (Administering Authority for the Warwickshire County Council Superannuation Fund)  
PO Box 3, Shire Hall, Warwick CV34 4RH  
Tel: 0926 410410  
Fax: 0926 412962
  2. Category 6.b: Portfolio management services.  
CPC Ref: 813 8132 81323  
Management of a balanced superannuation investment portfolio of approximately £160m
  3. On behalf of the Superannuation Fund which is situated as in 1.
  4. (a) by law.  
(b) P3 (1) (a) and P3 (5a) of the Local Government Superannuation Regulations 1986.  
(c) Not applicable
  5. Must tender for all of the service.
  6. A short list of 4 to 8 tenderers will be invited to tender.
  7. Variants will not be accepted.
  8. The contract will be awarded for a 12 month period with a renewal option subject to satisfactory performance.
  9. Not applicable.
  10. a) Not applicable.  
b) 17th December 1993.  
c) Warwickshire County Council, PO Box 3, Shire Hall, Warwick CV34 4RH  
d) English.
  11. If the company is a member of a group of companies, the ultimate holding company will be required to guarantee contract performance.
  12. The minimum standards will be set out in the questionnaire that will be sent to all appropriate respondents. A short list will be drawn up based on the questionnaire responses. This will be followed by visits to fund managers offices and presentations to the Investment Panel.
  13. Not applicable.
  14. Other information during office hours from the address in 1, Oliver Winters, Group Accountant.
  15. 9.11.93
  16. 9.11.83
  17. Not applicable.

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**Slieby, Leicestershire**  
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Dealership) and  
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**Hinckley (leasehold)**  
Previously Proton  
Franchise, Used Car  
Centre and Car Hire  
1992/93 unit sales:  
New - 25; Used - 99

**Nottingham (freehold)**  
Used Car Centre  
1992/93 unit sales:  
Used - 340

**Chesterfield (freehold)**  
Used Car Centre and  
Texaco Petrol Station  
1992/93 unit sales:  
Used - 318

**Leicester, Woodgate**  
(freehold)  
Used Car Centre  
and Car Hire  
1992/93 unit sales:  
Used 526

**Leicester, Blackbird Road**  
(freehold)  
Previously Fiat Franchise  
1992/93 unit sales:  
New - 50; Used - 158

**Birmingham, Hall Green**  
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Previously Fiat/Lancia  
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Centre and Car Hire  
1992/93 unit sales:  
New - 200; Used - 379

**Derby (leasehold)**  
Used Car Centre  
and Car Hire  
1992/93 unit sales:  
Used - 531

**Nottingham (freehold)**  
Body Repair Centre  
1992/93 unit sales:  
Used - 340

**Leicester, Norman Road**  
(leasehold)  
Parts Warehouse

**Market Harborough**  
(leasehold)  
Previously Rover  
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Centre and Car Hire  
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New - 75; Used - 152

**Kidderminster (leasehold)**  
Previously Proton  
Franchise and  
Used Car Centre  
1992/93 unit sales:  
New - 20; Used - 300

Additional sites are as follows:

**Earl Shilton, Leicester (freehold)**  
1992/93 unit sales: 151

**Mansfield (freehold)**  
1992/93 unit sales: 184

**Kenilworth (leasehold)**  
1992/93 unit sales: 195

**Leicester, Catherine Street (freehold)**  
1992/93 unit sales: 156

**Birmingham, West Bromwich (freehold)**  
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Further activities include:

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For further information please contact the Joint Administrative Receiver, Myles Halley or John Wheatley, KPMG Peat Marwick, Peat House, 1 Waterloo Way, Leicester, LE1 6LP. Tel: 0533 471122, Fax: 0533 547626, or contact a member of their staff at the company's premises at Mountsorrel, Leicester. Tel: 0533 374247, Fax: 0533 591399.

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For further details please contact Gerard Nolan

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(In Administrative Receivership)

The Joint Administrative Receivers, WS Martin and D Bailey offer for sale the business and assets of the above company on a going concern basis.

- Long established precision engineers manufacturing specialised components for the railway industry and sub contract engineers.
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- Turnover in excess of £500k
- Good current order book
- Skilled workforce
- Operating from freehold premises located in the Stoke-on-Trent area fully equipped with CNC and conventional machine tools.

For further details please contact Geraldine Rugby or either of the Joint Administrative Receivers, Ernst & Young, 17 Marble Street, Manchester M2 3AW. Telephone: 061-952 1312. Facsimile: 061-834 7117.

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## Glass & Glazing Limited

(In Receivership)  
Southampton

The above company manufactures a wide range of uPVC windows and double glazed units for the trade.

- Wide customer base
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- uPVC production line
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- Skilled workforce
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For further details contact the Joint Administrative Receiver, Peter Hall, Grant Thornton, 31 Carlton Crescent, Southampton SO1 2EW. Tel: 0703 221231. Fax: 0703 330443.

**Grant Thornton**

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## Retailers of Wool and Children's Clothing

Kent and Surrey

Chimes Limited (In Receivership), established over 100 years, is a well known High Street retailer of wool, baby and children's clothing and equipment.

- Turnover £2.7 million per annum
- 16 retail outlets averaging 1,150 sq. ft. each, 1 freehold, 15 leasehold in High Street sites throughout Kent and Surrey
- 4,800 sq. ft. of leasehold warehouse and offices in Orpington, Kent
- Extensive range of stocks, including established own label

For further details contact the Joint Administrative Receiver, Len Handscombe or Peter Flesher, Grant Thornton, Ashdown House, 125 High Street, Crawley, West Sussex RH10 1DQ. Tel: 0293 561383. Fax: 0293 561392.

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The U.K. member firm of Grant Thornton International, Authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## ANNOUNCEMENT FROM SÜMER HOLDING A.Ş.

As a part of the privatization programme Sümer Holding A.Ş. offers for sale its Antalya Cotton Textile Joint Stock Company by sealed tender and sale negotiations procedure.

THE PLANT TO BE SOLD	SHARE CAPITAL OF THE COMPANY (1000 TL)	PERCENTAGE OF SHARES SUBJECT FOR SALE (%)	NOMINAL VALUE OF SHARES (1000 TL)	AMOUNT OF BID BOND (1000 TL)
ANTALYA Cotton Textile Joint Stock Company (Antalya Pamuklu Dokuma Sanayi T.A.Ş.)	22,800,000	88.36	20,146,500	3,000,000

- The Information Document and sale specifications of the above company is available for a fee of TL 250,000, at the General Directorate of Sümer Holding A.Ş., at the address below.
- The offerors are required to provide an irrevocable, unconditional (payable at first demand) tender bond for an amount of 3,000,000,000 Turkish Liras and valid for a period of at least six months to the below address of the General Directorate. Offers prepared in compliance with the sale specifications should be submitted to the Correspondence Department of Sümer Holding A.Ş. General Directorate at Çankırı Caddesi No: 2 Ulus/ANKARA, not later than 3 P.M. on January 20, 1994. Delays in post shall not be accepted.
- Sümer Holding A.Ş. is not subject to the restrictions specified in the State Tender Law No. 2886 dated 8 th September 1983 and reserves the right to decide whether or not to sell the plant and to extend the deadline of the tender, if deemed necessary.

**SÜMER  
HOLDING A.Ş.**

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Contact: Tel 32/3777-39-92

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**LEVEL**

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British Railways Board  
is considering the sale of its rolling stock  
heavy maintenance works facilities

The works facilities proposed for sale provide the majority of British Rail's rolling stock heavy maintenance requirements and handle both passenger and freight rolling stock. They are located at Doncaster, Eastleigh, Springburn (Glasgow), Wolverton, Ilford and Chart Leacon (near Ashford in Kent). Also being sold are two electronic service centres at Swindon and Eastleigh. In the year to 31st March, 1993 the works facilities reported combined turnover of some £186 million.

Any party interested in this possible acquisition opportunity should contact Mr. I. Rawlinson: Lazard Brothers & Co., Limited, 21 Moorfields, London EC2P 2HT (telephone 071-588 2721; fax 071-628 2485) by Friday, 10th December, 1993.

This advertisement is issued by British Railways Board and has been approved by Lazard Brothers & Co., Limited for the purposes of section 57 of the Financial Services Act 1986. Lazard Brothers & Co., Limited is a member of SFA.

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- extensive mail order list
- turnover of \$579,000 for 11 months to 30 September 1993
- business established in 1851.

For further information please contact the Joint Administrative Receiver, R W Birchall, at Coopers & Lybrand, 86 Queen Square, Bristol BS1 4JP. Telephone: (0272) 292791. Fax: (0272) 307068.

Coopers & Lybrand is authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business.

27/11/93



## TECHNOLOGY

The Internet global network is leading the way down the information superhighway, writes Louise Kehoe

# Casting the net worldwide

## Experts tackle the bills

Electricity is one of the highest costs for the water industry because of the power needed to run pumping stations 24 hours a day. An Israeli company, with a staff of six, is now winning orders from UK water companies for a computerised control system to cut those bills.

Welsh Water, the first to have the system running, says it is saving up to 15 per cent of its electricity bill at its biggest treatment works, Court Farm, supplying Cardiff and Newport. This should mean an annual saving of more than £200,000. The system, called WaterExpert, designed by Intellect Expert Systems, is also being developed at two of its other plants.

The impetus for WaterExpert was the electricity price pool - the complex wholesale market set up when the electricity industry was privatised - and the need to match water demand with the optimum tariff. Michael Harrington, divisional operations manager for Welsh Water, says: "With the electricity price changing 48 times a day, the only way to control that is with some form of expert system. It is a very difficult job to do it manually or mentally."

Fed into WaterExpert, which uses a PC with software tailored to each plant, are factors such as reservoir levels, river abstraction rates, water quality, weather forecast and likely demand. It then produces a 24-hour operation schedule, either on-line or off-line, to initiate the opening and shutting of pumps and valves. The plan is modified automatically to take account of changes in demand or a mechanical failure, but it can also be adjusted by the operator.

Intellect Expert Systems says WaterExpert should pay for itself within a year and the company has orders from three other UK water companies. John Roberts, works controller at Court Farm, says: "The system is very user friendly. It does save electricity costs and management time - there is not so much time spent with paper and pencil."

Roland Adburgham

Intrigued by glowing accounts of rich information resources and lured by the promise of a free international electronic mail service, computer users are signing up in droves to services that offer access to the Internet, a global web of computer networks.

Already, the Internet links thousands of computers and an estimated 15m computer users. One million new subscribers a month are said to be hooking up their computers to "the Net".

Public awareness of the Internet has been raised in part by the Clinton administration's promotion of the "national information infrastructure" as a development that will bring broad economic and social benefits to all Americans.

The Internet is the precursor of the high-speed information superhighway system. It provides free access to thousands of computer databases, the opportunity to engage in a myriad of on-line debates or special interest group discussions and the ability to exchange electronic messages with other users almost anywhere in the world at little or no cost.

From its genesis in a 1969 US Defence Department project to provide computer links between researchers at US universities and national laboratories, the Internet has grown into a vast web of public and private computer networks, about half of which are in the US.

Although it lacks the speed and bandwidth of future information superhighways, the Internet demonstrates the potential value of data communications, as well as some of the challenges that lie ahead on the information superhighways.

By creating digital links to distant information resources, for example, the Internet is beginning to eliminate the constraints that geography places on access to education, jobs and services.

For the networking neophyte, entering the Internet feels like arriving in a foreign city where you don't know a soul and can't speak or read the language. At first, you suffer from culture shock and finding your way around is a real challenge.

To master the Internet, you should be prepared to invest considerable time and effort. "User friendly" is not a term that has penetrated cyberspace.

Prior experience in using commercial on-line information services such as CompuServe, Prodigy or America Online will give you a head-start. For many PC users, these easy-to-use services may prove more rewarding than launching into the unstructured world of the Internet. They have recently started offering an electronic mail service over the Internet at a small charge.

"[Students] can now access NASA, leave messages for the astronauts, browse around in libraries larger than they will ever be able to visit... read world and national news that appears in newspapers that are not available in their small towns... change the way they feel about the size of their world," a teacher from a small Texas school district writes in "The National Information Infrastructure: Agenda for Action", a report by Clinton's Information Infrastructure Task Force (IITF).

Businesses are taking advantage of the vast libraries of research reports available on the Internet. Small companies that cannot afford private computer networks can use the Internet to link distant sites. Software developers and insurance companies are using the Internet to shift labour-intensive programming and data processing jobs to low-cost regions of the world.

The growing use of the Internet also points to an urgent need for higher capacity information highways. Already, there are data traffic jams on the Internet as millions of new users explore its resources. New high-speed data channels are essential if the whole system is not to become gridlocked.

Widening the "roads" of the Internet may not, however, be sufficient to provide broad public access to information resources. Indeed, the history of the Internet would suggest that it may encourage even more traffic. The establishment in the 1990s of the National Science Foundation Network, which provided a high-speed "backbone" for the Internet, spurred a vast increase in its use.

The entire information infrastructure - "bridges" linking different networks and "on and off ramps" providing access to individual computers - will have to be upgraded if there is to be "universal access" to information resources as the Clinton administration is insisting.

The shortcomings of the Internet also raise questions about the design of information superhighways. Despite its rising popularity, the Internet can be fully exploited only by people with a significant degree of computer expertise.

To be accessible to a broader spectrum of society, information superhighways will have to be far easier to use. This will require the development of interface software that hides the complexity of the network from its users.

The lack of any central control over the Internet has enabled it to

grow rapidly as thousands of regional and local area computer networks have plugged in. However, the flexibility of the Internet also makes it far more complex.

There is, for example, no catalogue of resources on the Internet. The Internet is therefore difficult to use unless you know exactly what you are looking for and where to find it. Similarly, the Internet lacks the equivalent of a telephone directory. To send messages to another Internet user you have to know their Internet address, but there is nowhere to look it up.

Data security is another weakness. As numerous security violations have shown, however, ensuring data privacy may prove difficult. The thorny question of the rights of law enforcement officials to "snoop" on the data highway has also to be addressed.

Access to vast amounts of information is not the whole answer. The power to discover the right information quickly and easily, to separate "nice to know" from "need to know" information is essential if information superhighway users do not drown in electronic "junk info".

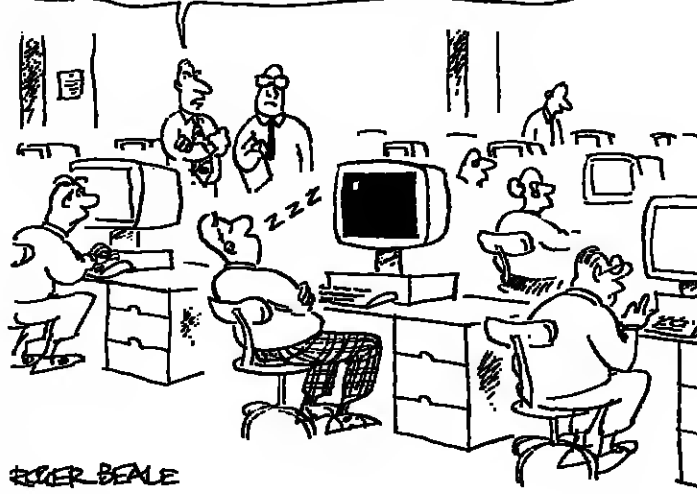
Perhaps the most critical issues raised by the Internet relate to intellectual property rights. On the

Internet, anybody can copy any material - whether it be a newspaper article or a graduate thesis - without charge. Essentially, this means an individual who posts information on the Internet forfeits rights of ownership.

The IITF is currently evaluating the need for a system that enables information providers to collect royalties for copyrighted products delivered or made available through information superhighways.

The Clinton administration has acknowledged that unlike the Internet, the information superhighways of the future will be built and controlled by the private sector. However, the government will have a critical role to play in determining

BRUBAKER SEEMS TO BE PARKED IN A REST AREA SOMEWHERE OFF THE INFORMATION SUPERHIGHWAY



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that all Americans have "universal service at affordable prices" and in writing the "rules of the road".

Commercially owned, government-regulated, high-speed information networks will be capable of delivering a myriad of services, ranging from interactive television and on-line shopping to video-conferencing and information services akin to those of the Internet.

Ironically, however, while newcomers to "telecomputing" may welcome such developments, veteran Internet navigators fear commercialisation and regulation will doom the free-wheeling spirit that has enabled the Internet to thrive.

Published by Addison Wesley, A pocket-sized guide with plenty of Internet lore.

The Internet Guide for New Users. By Daniel P. Dorn. Published by McGraw-Hill. A comprehensive reference book.

Connecting to the Internet. By Susan Estrada. Published by O'Reilly & Associates. Practical information on how to get hooked up to the Internet.

Zen and the Art of the Internet: A Beginner's Guide to the Internet. By Brendan Kehoe. Published by Prentice-Hall. Short and sweet, everything you need to know to get started.

The Whole Internet User's Guide and Catalog. By Ed Krol. Published by O'Reilly & Associates. This is the Internet Bible. It is encyclopedic and clear.

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### WANTED

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- Service or Manufacturing business
- Sales around £500,000
- Management to be retained

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## BUSINESS AND THE LAW

## When national limits are legal



National laws restricting or prohibiting certain selling arrangements do not infringe Rome treaty rules on the free movement of goods, provided the laws are not aimed at imports from other member countries and provided they have the same effect on the commercial freedom to market domestic products as on imports, the European Court ruled last week.

In a landmark ruling, all 13 judges said that, where those conditions were satisfied, this kind of national regulation was not by its nature intended to prevent or hinder access to the market by imports any more than it impeded the access of domestic products.

The Court's ruling was in response to questions raised by the Strasbourg Tribunal de Grande Instance in connection with criminal proceedings against a Mr Keck and a Mr Mithouard.

They were prosecuted for reselling products in an unaltered state at prices lower than their actual purchase price, in contravention of the French law which prohibits resale at a loss.

In their defence, they argued that a general prohibition of resale at a loss was incompatible with the treaty ban on import restrictions as well as other rules on free movement and competition.

At the outset the ECJ said that it was only appropriate to look at prohibition of resale at a loss from the perspective of the free movement of goods, since the prohibition was concerned with the marketing of goods.

The Court confirmed its 1974 ruling in the *Dassonville* case that any measure which is capable of directly or indirectly, actually or potentially, hindering intra-Community trade can constitute an import restriction prohibited by the treaty.

However, the fact that such legislation may restrict the volume of sales in the market concerned, and therefore the volume of sales of imports, is not decisive. It was not the purpose of national legislation imposing a general prohibition of resale at a loss to regulate trade between member countries.

Before making its new ruling clarifying the scope of Community law in the context of import restrictions, the Court referred to its 1979 landmark decision in the *Cassis de Dijon* case.

The Court said this held that, in the absence of harmonisation of legislation, import restrictions prohibited by the treaty included obstacles to the free movement of goods where they were the consequence of applying national rules laying down certain requirements to be met by goods to imports from other member countries where they are lawfully manufactured and marketed, even if those rules apply without distinction to all products.

The only exception was when the application of the rules can be justified by a public-interest objective taking precedence over the free movement of goods.

But the Court then said: "However, contrary to what has previously been decided, the application to products from other member states of national provisions restricting or prohibiting certain selling arrangements is not such as to hinder directly or indirectly, actually or potentially, trade between member states within the meaning of the *Dassonville* judgment", provided that the non-discrimination conditions are satisfied.

The Court said this kind of rule falls outside the scope of the treaty ban on import restrictions. The judgment is important for business. First, the Court has set out to clarify the Rome treaty's ban on import restrictions in the context of national rules which limit commercial freedom but are not aimed at products from other member countries.

Second, the Court expressly acknowledges that this new ruling is "contrary to what has previously been decided".

Joined Cases C-267 and 268/91, *Bernard Keck and Daniel Mithouard*, ECJ FC, 24 November 1993.

BRICK COURT CHAMBERS, BRUSSELS

It will come as no surprise to European law firms that US lawyers have a pretty high opinion of themselves when it comes to providing international legal services.

Their opinion of European lawyers, however, is not so flattering. According to a survey of America's top 400 law firms, conducted by Global Research, the market research organisation, US lawyers believe their European counterparts are less hard-working and less capable of taking an aggressive commercial stance in deal-making.

Comments ranged from the relatively restrained: "We are ahead on the cutting-edge developments in capital markets" - something Lintlaw, Allen & Overy, Clifford Chance, Slaughter and May and Freshfields might dispute - to the more forthright: "US firms take a more proactive approach, whereas the Europeans only react when asked to".

Historically, there may be some justification for such a viewpoint. Many US corporations active in international markets have preferred to take their US lawyers with them rather than look for a suitable local alternative. US investment banks also appear to be more comfortable working with US lawyers.

But it is questionable whether such a gap still exists between the leading US and European firms, particularly in western Europe, which is viewed by US law firms as their most important international jurisdiction. Even in the Asia-Pacific region, regarded by the Americans as their second most important market, the gap between the US firms and the UK and Australian firms has closed in recent years.

Nevertheless, respondents to the survey felt they had a competitive advantage over non-US law firms when operating in foreign jurisdictions for several reasons. These included greater knowledge and understanding of multinational commercial transactions, a stronger work ethic, more expertise in specialist areas, greater efficiency and more competitiveness on price.

The price question - whether US law firms are cheaper than European ones - is likely to remain unresolved while there continues to be such a difference of approach in the way that firms bill their clients.

The American claim to be cheaper appears to be based on the assertion that they are more productive. The number of hours billed by US lawyers last year averaged 1,752 for partners and 1,864 for associates, compared with an average of 1,570 and 1,520 respectively in Europe.

But these figures ignore the revolution that has taken place in charging practices over the past

## View from America

US lawyers claim they are better than Europeans, says Robert Rice

**LAWYERS ON LAWYERS**  
The US top 50

Firm	Rank	Revenue
1. Cleary, Gottlieb & Stearns	1	\$254
2. Skadden, Arps, Slate, Meagher & Fum	2	\$235
3. Wachtel, Lipton, Rosen & Katz	3	\$228
4. Wilmer, Cutler & Pickering	4	\$224
5. Shearman & Sterling	5	\$221
6. Venable, Van Nostrand & Pratt	6	\$218
7. Arnold & Porter	7	\$215
8. Day, Pelt & Woodruff	8	\$212
9. Deane, Ruggie & Co.	9	\$210
10. Sullivan & Cromwell	10	\$208

Respondents were asked to recommend their firm to a client of a variety of practice areas within their own country and the global market. The list was compiled by ranking the firms on the basis of their response to the question: "Which firm would you recommend to your client?"

**THE UK TOP 50**  
Revenue, August 1993

Firm	Rank	Revenue
1. Clifford Chance	1	\$185
2. Freshfields	2	\$175
3. Slaughter and May	3	\$165
4. Allen & Overy	4	\$155
5. Linklaters	5	\$145
6. Baker & McKenzie	6	\$135
7. Herbert, Smith & Free	7	\$125
8. Berwin & Leach	8	\$115
9. Simmons & Simmons	9	\$105
10. Stewarts & Lunn	10	\$95

On the other hand, can they afford to wait until they have built up sufficient cash reserves at home to fund such overseas expansion? The risk of allowing their competitors to become established in these markets is considerable.

Those who, owing to limited resources, have little alternative but to wait for domestic recovery before contemplating further expansion should take heart from the fact that two of the three firms rated the best in the US by their peers - Cravath, Swaine & Moore, and Wachtel, Lipton, Rosen & Katz - have

achieved such a reputation in spite of their relatively small size, their low-key approach to marketing and without a large overseas presence.

They should also be encouraged by the \$1m Singapore Telecom privatisation, one of the biggest deals ever to come out of Asia. Two New York firms, Sullivan & Cromwell and Cleary Gottlieb Stearns & Hamilton, neither of which had an office in Singapore, were appointed this year as lead advisers on the deal, much to the dismay of the US and UK firms which bid for the work.

**Respondents to the survey said corporate work was currently the most important source of business**

## PEOPLE

## Inchcape reduces its board

Two of Inchcape's most senior directors are leaving the international services and marketing group, and the company has decided to take the opportunity to have a smaller and more strategically focused main board.

According to Charles Mackay, the chief executive, the move to a smaller board is not intended to diminish the importance of the group's business streams - motors, marketing and business services. Indeed, the intention is to give each its own board and increase their operational and financial autonomy.

Alan Marsh, 57, who will take early retirement in May, is responsible for Inchcape's worldwide businesses with Toyota. He will be succeeded by David John, 55, currently the main board director for Inchcape's marketing business stream.

Reg Heath, 52, who will leave on September 1 next year, is the main board director responsible for the group's other motor businesses, apart

from Toyota. He was chief executive of Tozer Kemsley & Millbourn, the motor distributor which Inchcape bought for £270m at the end of 1991. A well-known figure in the UK motor trade, Heath is credited by Inchcape with having done a "terrific" job in integrating TKM. He is likely to receive plenty of offers, but so far has made no plans.

Alan Davies, 44, will replace David John as chief executive of the marketing business stream. Maurice Rourke, 45, will succeed Heath as chief executive of Inchcape's motor businesses, other than Toyota. Neither Davies nor Rourke will be appointed to the main board.

Simon Arnold, 60, will also step down from the main board in May, having reached retirement age. He will, however, continue as chairman and chief executive of Bain Clarkson, a position he has held since 1985 as part of his overall responsibility for Inchcape's worldwide insurance services business.

John's move to run the Toyota businesses reflects the continuing importance to Inchcape of its links with the Japanese group. In 1990 Toyota paid Inchcape £60m for a stake in Toyota (GB), the UK distribution company, which will rise to 51 per cent in 1996. John has known Toyota from his time as chief executive of Inchcape Bernard, when he was responsible for Toyota operations in Singapore and Brunei.

Davies, who replaces John as chief executive of Inchcape's marketing business stream, joined the group in 1989 and became chief executive of Inchcape Middle East last year. Before joining Inchcape, he spent 16 years with Rothmans International, the tobacco group.

Rourke, who succeeds Heath, is currently development director for Inchcape's motor businesses other than Toyota. He has 20 years experience in the European motor industry and worked with Renault UK and BMW before joining TKM in 1977.

## Non-executive directors



■ Sir Sydney Lipworth (above left), deputy chairman of National Westminster Bank and a former chairman of the Monopolies and Mergers Commission, at CARLTON COMMUNICATIONS.

■ John Bond (above right), group chief executive of HSEB Holdings, at the London STOCK EXCHANGE, following the resignation of Lord Alexander of Wesdon on his appointment as deputy chairman of the SIB.

■ The Hon Janet de Botton, who is a daughter of Lord Wolfson, at Christie's, the international fine art auctioneers. Along with her husband, Gilbert de Botton, she is one of the UK's leading collectors of contemporary art.

■ Alan Pink, a director of Zeneca, at SMITHS INDUSTRIES.

■ Michael Haines, recently retired chairman of KPMG's public sector industry group, at CLYDE HOUSE, Edinburgh.

## Peter Isaac, European president of the management consultancy ALEXANDER PROUDFOOT, chaired by Lord Stevens of Ludgate, has left after 20 years with the group.

The news broke yesterday, after an internal memo circulated in the company and jointly signed by Isaac and Proudfoot's chief executive, John Prosser, was leaked to the media.

Proudfoot has been going through tough times recently; at its interim results in September it reported pre-tax profits down from £13.2m to £5.6m. A spokesman for the company said yesterday that Isaac's departure was not connected with its recent financial problems.

But the company's European business, which Isaac took over in November 1982 when Prosser was made chief executive, has been performing poorly.

Staff levels have been reduced from more than 1,500 a year ago to about 1,300 now, as part of a £10m a year cost-cutting programme. Neither Prosser nor Isaac was available for comment.

■ Daniel Bejarano, executive chairman of FIDES Holdings, at CAPITAL INDUSTRIES.

■ Robert Alcock, group md of Norcross, at THE CAPITAL GROUP.

■ Richard Jovitt, md and chief executive of Electronic Data Processing, at JOS HOLDINGS.

■ Frank Neale has resigned from VERNON INTERNATIONAL GROUP.

## Cooper moves to Vestey

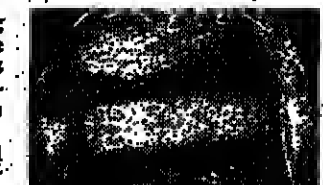
Robert Cooper, 47, is joining the Vestey group as finance director. Since 1988, he has been a director of Robert Fleming, and head of corporate finance worldwide since 1990.

At the Vestey group he will be working closely with Sir John Collins, appointed chief executive in September, with effect from January 1994; together they will have responsibility for overseeing the future strategy of the group through the mechanism of a new holding company yet to be formed, and to be called Vestey Group Holdings. Currently the group is divided into two main operating entities, Union International and Frederick Leyland.

After qualifying as an accountant with Peat Marwick Mitchell, Cooper spent a short time with first BAT and then Rank Xerox in 1971-72, before leaving to join Robert Fleming in December 1972, where he first became a director in 1977.

In 1984 he joined Kleinwort Benson as a director in the corporate finance department.

■ Kevin Connolly, formerly finance director of Redland Roof Tiles, has been appointed director of financial planning and analysis at REDLAND.



In 1968 he joined the clothes retailer Next as group finance director, returning to Robert Fleming in 1987 as a director of corporate finance, becoming head of UK corporate finance in 1988 and head of corporate finance worldwide in 1990. Robert Fleming said yesterday that no replacement has yet been chosen.

EXCERPT FROM THE VEBA INTERIM REPORT AS OF SEPTEMBER 30, 1993

## VEBA MAINTAINS COURSE IN ROUGH SEAS

The VEBA Group remains on course in 1993 despite the harsh climate.

## SLIGHT INCREASE IN SALES

VEBA improved marginally on its previous year's sales in the first nine months of 1993 despite the persistently weak business cycle. The gains recorded by Electricity, Oil and Services were offset by downturns in Chemicals, Trading and Transportation.

## NET INCOME 14% DOWN ON LAST YEAR, RESTRUCTURING MEASURES STEPPED UP

The net income after minority interests dropped 14% to DM 453 million (1st half of 1993: -13.2%) in the first three quarters of 1993. We do not anticipate any change in the earnings situation for the rest of the year. We stepped up the



efforts that had already been initiated to improve the competitiveness of the Chemicals and Oil Divisions.

## FEWER EMPLOYEES IN CHEMICALS, MORE IN TRADING

At the end of September 1993, the VEBA Group employed 130,705 people, that is 903 more than at the end of 1992. As a consequence of efforts to enhance efficiency in Chemicals and Transportation, the workforce was cut by some 2,500. Additions resulted from the further expansion of Trading and Transportation activities, especially abroad.

## CAPITAL EXPENDITURE: OPPORTUNITIES SEIZED IN THE NEW STATES

In the face of a generally restrictive investment policy, we sustained our long-term capital expenditure strategy and determinedly utilized opportunities in the new states. With DM 3.1 billion from January through September 1993 (DM 700 million of which was spent in the new states), capital expenditure exceeded the spending over the same period last year by some 11%.

Group Key Figures		Jan. 1 - Sep. 30, 1993	Jan. 1 - Sep. 30, 1992	Change	
Sales	DM million	49,586	49,235	+ 0.7%	
Net Income After Minority Interests	DM million	453	527	-14.0%	
Employees	(Sep. 30, 1993)	130,705	(Dec. 31, 1992)	129,802	+ 0.7%
Capital Expenditure	DM million	3,081	2,777	+11.3%	

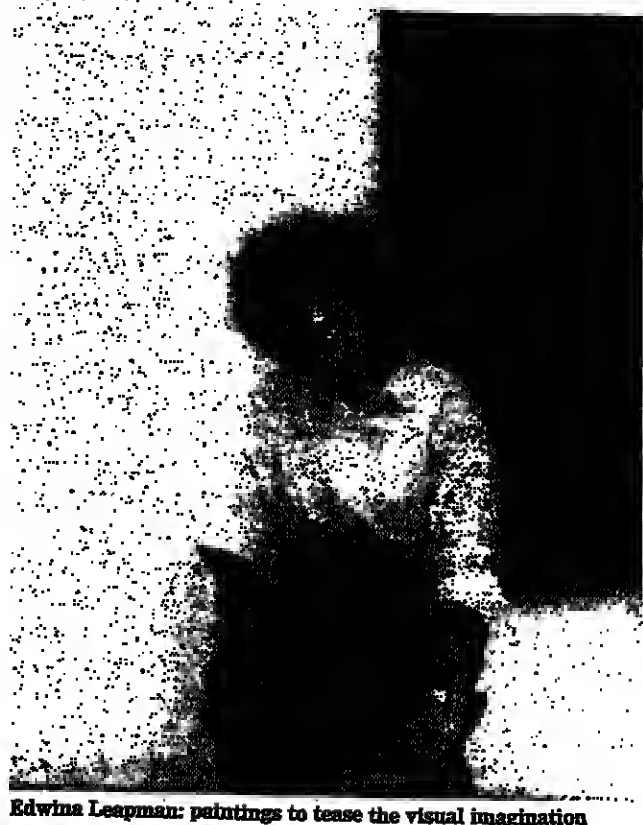
Excerpt from the Interim Report as of September 30, 1993  
by telephone from:  
VEBA AG, Public Relations,  
Bismarckstrasse 1, 40464 Düsseldorf  
Tel. 49-211-4739-337  
Fax 49-211-4735-522

**VEBA**



Art / William Packer

## Back to brushstrokes at the galleries



Edwina Leapman: paintings to tease the visual imagination

After the event, the result of the Turner Prize has a certain inevitability, and even logic. Looking back, I now realise that Sean Scully, the one artist actually to put paint on canvas by means of a brush - a sort of stick-things with bristles at one end - was no more than a token entry. In a fixed field of conventional conceptualists, he had no chance at all. The pity of it is that we have plenty of painters of just his sort - minimalist, or at least highly-simplified abstraction - who might have given him and us a run for the money. Such artists as Alan Green, Alan Charlton, Edwina Leapman, Marc Vaux and Peter Joseph have records that are no less long and distinguished than his. Set against them on equal terms, Scully might well have won, but he would have done so against his peers. But rules are rules, and any such race was just not on. Such rueful ruminations

were brought on not so much by Scully's failure to come home the winner, as by Edwina Leapman's current exhibition at Annelly Juda, altogether quieter and more properly modest an affair. Miss Leapman has been working to much the same programme for about 25 years, during which she has been principally concerned, she tells us, with "close tonalities and vibrating light". As for her colour, "it is to do with space and the vastness of space; with the limited space of the picture and the endless space beyond its edge".

What she actually does is to lay a thin but resonant colour field, these days usually fairly dark, a rich blue or green perhaps, over the entire surface of the canvas. She then lays another near-complementary colour, fairly close in tone, in regular, careful, albeit free-hand horizontal stripes across the canvas, leaving the ground-colour visible at the margins and through the abutments

between the stripes. Some little variation, of size and format, is admitted in this process but most particularly in the actual working of the stripes themselves, according to the choice as to the thickness of the paint, stiff or flowing, the gauge of the brush and the load of paint it should carry. She fills the brush, moves it across the surface until it requires refilling, and so continues until the stripes fill the canvas. Nothing could be simpler, indeed quite worthy, some might feel, of the unregenerate Turner Prize. Quite why these paintings should be so beautiful and satisfying is probably beyond the sceptical, yet beautiful they are, and monumental, and profound in their teasing of the visual imagination. For the simple truth is that to set one mark upon another, one tone against another, is to propose an infinity of possibility of space and substance that only the imagination can explore. Just how close within

its pictorial space is that delicate lattice of horizontal bars, and quite how deep the firmament beyond? The work of Mary Potter, who died in her eighties 10 years ago, has much of this same quality of apparent simplicity married to imaginative complexity. Here again the range of colour and tone is closely limited and controlled, in this case to the earth colours, ochres and umbers touched up with faded blues, greens and pinks. And again, in the characteristically dry impasto of the paint itself, we are made immediately and quite physically aware of the fact of the surface and the stroke of the brush. Such is the act of painting itself. Nominally figurative, these paintings withdraw from their subjects of landscape or still-life to the point of abstraction, teasing us on the very point of association and recognition, wryly fugitive and elusive. And they too are unexpectedly, subtly, irresistibly seductive. This exhibition, sadly, is to be the last at the New Art Centre in its present incarnation, for the gallery in Sloane Street, its home for 30 years, is to be bulldozed for redevelopment. Business in the meantime is to continue at Roche Court in Wiltshire, off the A30 just short of Salisbury, until new premises are found.

Here in London we see too little of current French painting, for which both sides are equally at fault. The admirable Galerie Matisse of the Institut Français, from its tiny space at South Kensington, does whatever it can on limited resources to supply the deficiency. Its current show of the work of four painters is perhaps too constrained physically to do either itself or its subjects full justice, especially given the size of some of the canvases. The great bonus is to see for the first time the work of the youngest of the quartet, Helene Delprat. She draws upon some obvious references and influences within the currency of international painting - from Picasso and Dubuffet to Paladino and Basquiat, with a generous helping of tribal art, and graffiti too - but she works it all with commendable vigour and confidence, and makes of the confection something quite her own. She seems to be a real painter, someone adventurous and ambitious and yet at ease with her medium on a large scale. Without the fashionable preoccupations, she could be better still.

Edwina Leapman - recent paintings: Annelly Juda Fine Art, 23 Dering Street W1, until December 22. Mary Potter: An Unique Vision: New Art Centre, 41 Sloane Street SW1, until December 24. Four Artists from France: Galerie Matisse, Institut Français, 17 Queensberry Place SW7, until December 18, then on to the Institut Français, Edinburgh.

Opera / Paul Griffiths

## An odd light on Butterfly

The stage is almost bare. The few things that remain - a solitary rock, a chair, the people - seem to function principally as objects to be lit. Everybody moves slowly, but less for any dramatic purpose, so it seems, than for the requirements of the lighting. Light is the hero; light in the phosphorescent blue on the rock, the white on a hand, or golden gleam on a body. And this is *Madame Butterfly*. No, this is Robert Wilson. In his productions of traditional operas Wilson has stressed how his visual contribution must be independent of the music and text, and yet his choice has hitherto fallen on works which fit with his earlier original creations in their elongated time schemes, their mythic resonances and their symbolism: *Parsifal*, *Lohengrin*, *The Magic Flute*. Puccini's works are entirely different, and the new *Madame Butterfly* at the Bastille in Paris (Wilson's third production there in the theatre's short history) might seem to allow more scope for independence to exist itself. Most often the performers - who seem to be singing the characters' music but not enacting them as people - behave with a sublime disregard for what is going on, or for what they are having to deliver. Signal points in the drama are registered not by these statuesque people but, typically, by the lighting: by a sudden blackout, for instance, when the Bonze denounces Butterfly's spiritual deflection. Music that is customarily seen as demanding movement - such as the rush for the child's entry near the end - sweeps, most effectively, across an entirely still stage. Not only does the production fail to deliver the expected visual appearances, it makes a point of its failure, as when Pinkerton and Sharpless in the first act ostentatiously mime holding glasses in their hands. However, these displays of

independence are a mite superficial, for it is obvious that Wilson was attracted to *Madame Butterfly* by the Japanese in it, and by the idea that he could bring this nut in his setting. He uses a wooden walkway like that of the Japanese theatre, and the severe costumes (by Frida Parmeggiani) look in the same direction. But suggestion is all. There remain two huge problems. One is that Wilson is dealing with opera singers, not with actors trained for decades in a demanding tradition of deportment and gesture. The other is that *Madame Butterfly* is not a *noh* play. Wilson's attempt to make it one smacks disturbingly of the scorn and opportunism which the opera makes an effort to denounce in *Pinkerton*. Alien manners are being tried on without any care for the density of meaning they convey. For all the atmosphere of seriousness, the production is disturbingly hollow: one can read the director's signature, but it is placed on an empty and ignorant canvas. There is one area of exception. Some of Wilson's earlier work made startling use of non-professional performers, and here the child (a grave Steve [sic] Lopez) becomes a major participant. In the long nocturne-interlude he alone moves about the stage in childish games while Butterfly and Suzuki wait, and it is his hand, warding Pinkerton off, that provides the final gesture. However, the very poignancy of this proves how far the production has come from its stated aim of following an independent, parallel path. The orchestra, under Myung-Whun Chung, occasionally remind one of Puccini's admiration for Debussy, though the sound is thin in this theatre and the balance odd. Valentina Sedipova was the Butterfly I heard, coming to firmness and lustre in the second act; she shares the title role with Diana Soviero. Of the rest of the cast, only Georges Gauthier as Goro stood out.

## The Nutcracker meets goodie two-shoes

Warner Brothers' film of New York City Ballet's *Nutcracker*, cumber-somely entitled *George Balanchine's The Nutcracker*, was released in the US this week, not without considerable advance publicity in the form of a fight between the studio and Kit Culkin, father of 13-year-old film star Macaulay Culkin, who plays the Nutcracker. The elder Culkin has tender feelings about Balanchine's 1954 Christmas ballet. As a boy he danced in it himself; he too was the Nutcracker. So when Macaulay was offered this role in the film version, the Culkins accepted on far more modest terms than the child star normally commands: \$10,000 plus 5 per cent of the gross. (For *Home Alone 2* Macaulay received \$5m plus 5 per cent of gross.) In return, Kit Culkin expected that the producers would have tender feelings about the ballet - film it straight, not "adapt" it: an approach that everyone seems to have agreed on in the early

stages. But at test screenings it turned out, reportedly, that many children could not follow the story. So the producers hired Kevin Kline to narrate it, over the music, at various moments in the film. When Kit Culkin saw the narrated version, according to an article in New York magazine, he told the producers, "You've s--- all over Tchaikovsky." If the narration were used, Culkin said, Macaulay would take no part in promoting the movie. If the narration were not used, on the other hand, Macaulay would renounce his 5 per cent of the gross. After considerable scuffling, Warner Brothers rejected Culkin's offer. When the film hit the theatres on Wednesday there was Kevin Kline's voice, smack on top of the music, telling us, for example, as the Christmas eve guests enter in Act I, "Here they all came, the Christmas eve guests." I do not know where Warner Brothers obtains the children for its test screenings, but every year I attend NYCB's *Nutcracker* in a theatre full of children, and they all seem to get the drift.



Macaulay Culkin and Lynn Cohen

Silly though it is, however, the narration is sparse. A far greater problem is the camera work. "We trusted the dance," says producer Bob Hurwitz of the film team's philosophy. "We trusted Balanchine." Nothing could contradict that

statement more flatly than the filming of the dances. Never is a dance given its proper time and space: never is it allowed to establish itself. Presumably for the same anxiety about our attention span the camera is constantly

moving into closeup. We gaze into the Sugarplum Fairy's armpit, we inspect Macaulay Culkin's mouth. (He is missing the first premarital on the upper left.) The nearer we get to any one dancer, the less we see of the choreography. Nor do the closeups enhance realism of the movie. On the contrary. Seen from a few inches away, the "snow" is clearly paper; the ice cream, plaster. Crazy-wigged Drosselmeyer, who in the stage production is a figure of weird glamour, here looks like a man who might ask you for a quarter in the subway. Eusebio Ardolino, the film's director, produced and directed first-rate dance programs for the Public Broadcasting Service in the 1970s and early 1980s. When he went to Hollywood four days before the release of the *Nutcracker* movie, he died of AIDS at the age of 50. Ardolino's memory should be honoured - for his earlier work. I do not envy anyone the task of adapting the non-realistic medium of ballet to the realistic medium of popular film, but in this case no interesting solutions were

found. In the film as in the theatre, the ballet is danced by New York City Ballet, and the cast is well chosen. If for anything else, the film is valuable in that it records the cool, brilliant allegro work of Kira Nichols as the Dewdrop and the glorious expansiveness of Darci Kistler as the Sugarplum Fairy. Twelve-year-old Jessica Lynn Cohen, who plays the heroine, Marie, has a pretty face and a peppy spirit. The only serious piece of miscasting is Macaulay Culkin. He has danced in NYCB's production before - he played Fritz, Marie's truculent little brother, in 1989 and 1990 - but he is not at home in ballet. His neck and shoulders are tight and he walks as if his shoes hurt. Culkin is a comedian, a rare gift in a 13-year-old, but not one that is required for the *Nutcracker*. Culkin plays it with an ironic half-smile, as if he were in a children's production of *The Importance of Being Earnest*. He was clearly hired for box office reasons, which would have been fine had he been right for the part.

## Abbado on white-hot form

In retrospect the 1960s and 1970s look a remarkably settled time for most orchestras. The senior conductors of the day tended to stay with their own orchestras for a long period, creating stable relationships which were generally seen to be a good thing. The next generation of maestros is facing all sorts of criticism, as a revealing BBC documentary last week showed. Even those trying to follow the same path find themselves ambushed. Perhaps the Berlin Philharmonic Orchestra always was going to be a special case, but that does not explain the hostility of a recent attack in the German press against Claudio Abbado, accusing him of not being another Herbert von Karajan. Abbado is known not to enjoy musical politics and has

been keeping his eyes down on the music stand. This season he is conducting an impressive list of concerts in Berlin, including two lavishly-cast concert performances of Musorgsky's *Boris Godunov* at the weekend. This opera has long been among Abbado's key works. The Royal Opera's production has been his outstanding collaboration with the company to date, and if his interpretation has changed over the years, he still recaptured in the warm and generous ambience of Berlin's Philharmonie much of the intensity of those stage performances. By the time the performance reached the final scene, the playing was white-hot. The swirling string figures as the crowd gathers tingled with the frenzy of a Russian populace in open revolt. It is claimed that

the Berlin Philharmonic does not sound the same under Abbado. That may be true. Whichever the orchestra, Karajan's *Boris Godunov* was a grandly-unfolding epic, woven in a rich tapestry of sound; Abbado's is swifter, leaner, more urgent, seething with tensions public and private below the surface. It did not seem to me any less well played or sung. The choral singing, from the Slovak Philharmonic Choir of Bratislava and the Berlin Radio Choir, was especially effective. The weakest link in the cast was probably Boris himself, Anatoly Kotcheraga, who has plenty of force in his voluminous (not always well-focused) bass voice, but not the same force of personality. He did the obvious things without making them fresh and personal. It is unlikely that the Polish

act has ever been more gloriously sung than it was by this trio of Olga Borodina, Sergey Larin and Sergey Leiferkus, who brought a splendid combination of vocal glamour and subtlety of character to their three schemers. Philip Langridge got a vivid grip on Shuisky's slippery personality. Gleb Nikolay and Helmut Widhaber were a wickedly matched comic duo as Varlaam and Missail, every bit a pres-ent-day Laurel and Hardy. Elena Zaremba was their young, volitionally voluptuous hostess. There are certainly other cities which have more pressing problems with their orchestras than Berlin.

Concerts sponsored by Deutsche Bank and Sony Classical.

Richard Fairman



## Stafford-Clark bows out

Max Stafford-Clark took his formal departure from London's Royal Court Theatre on Sunday after 14 years as artistic director, writes Malcolm Rutherford. A packed house saw a gala performance of scenes from plays he has put on over the years, including *Serious Money* by Caryl Chur-

chill and *Three Birds Alighting on a Field* by Timberlake Wertenbaker. In future, Stafford-Clark will head a new company, Out of Joint. Its first venture will be a co-production with the Leicester Haymarket and the Royal Court of an adaptation of Sue Town-

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

Concertgebouw Tonight: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in works by Beethoven, with violin soloist Gidon Kremer. Tomorrow: choral concert including Vivaldi's Gloria and Cherubini's Requiem. Thurs, Fri: Bernard Haitink conducts Royal Concertgebouw Orchestra in Debussy, Bartok and Shostakovich. Sat: David Robertson conducts Netherlands Chamber Orchestra and Chorus in Boulez, Schoenberg and Stravinsky. Next Mon: Vassili Sinakos conducts Netherlands Philharmonic Orchestra in Andriessen, Shostakovich and Bruckner, with cello soloist Julian Lloyd Webber. Dec 8, 9: Marius Janssens conducts the Royal Concertgebouw. Dec 11: Günter Wand conducts Bruckner's Eighth Symphony (020-671 8345). Muziektheater Tonight: final performance of Pierre Audi's staging of *L'Incoronazione di Poppea*. Tomorrow: Gennaro Jenkins conducts first night of Alfred Kirchner's new production of La

traviata, with cast led by Deborah Riedel, David Kuebler and Luis Grion-May (repeated Dec 4, 7, 10, 13, 16, 19, 22, 25, 27, 30). Thurs, Fri, Sun afternoon: Nederlands Dans Theater in choreographies by Jiri Kylian (020-625 5455).

### BASLE

Murray Parahia plays Beethoven's Second and Fourth Piano Concertos in Basle Symphony Orchestra tomorrow in the Casino (061-272 1176). Repertory at the Stadttheater includes Bortoli's *Meistertöle*, Tosca, *Nutcracker* and Jesus Christ Superstar. A new production of Rossini's *Il viaggio a Reims* opens on Dec 19 (061-295 1133).

### BRUSSELS

Palais des Beaux Arts Tonight: Il Giardino Armonico plays concertos by Vivaldi. Tomorrow: Joshua Bell, Steven Isserlis and Olli Mustonen play piano trios by Haydn, Schumann and Shostakovich. Thurs: Gabriel Chmura conducts Belgian National Orchestra in Beethoven and Bruckner. Fri (Eglise des Minimes): Sigiswald Kuijken conducts La Petite Bande in a Bach programme. Next Mon (Conservatoire): Labèque Sisters play Mozart with Flamminghi chamber orchestra (02-507 8200).

### CHICAGO

CHICAGO LYRIC OPERA Peter Hall's staging of *Così fan tutte*

can be seen tonight and Sat, with Carol Vaness, Delores Ziegler, Keith Lewis and Jeffrey Black, conducted by Andrew Davis. August Everding's new production of *Die Walküre*, conducted by Zubin Mehta with a cast including Eva Marton and James Morris, can be seen on Fri and next Mon, with further performances on Dec 10, 14, 18 and 22. It bows out, opens on Dec 11 (312-332 2244).

### CHICAGO SYMPHONY

Pierre Boulez is in residence at Orchestra Hall over the next two weeks. The programme on Thurs, Sun and next Tues includes Bartok's *Duke Bluebeard's Castle*, with Jessye Norman as Leslo Polgar. Friday's programme features Mahler's Sixth Symphony. Dec 9, 10, 11 and 14: Ravel, Bartok and Stravinsky (312-435 6666).

### GENEVA

Victoria Hall Tonight, tomorrow: Armin Jordan conducts Orchestra de la Suisse Romande in concert celebrating the orchestra's 75th anniversary. The programme includes a new work by Heinz Holliger, plus music by Ravel, Dvorak and Brahms, with violin soloist Uto Ughi (022-311 2511). Thurs: Bella Davidovich piano recital. Fri: St Petersburg Symphony Orchestra plays Dvorak and Tchaikovsky, with cello soloist Natalia Gutman (022-310 6620).

### LAUSANNE

Rudis Béjart Lausanne is in

residence till Dec 11 at Cinéma-théâtre Métropole, with three programmes choreographed by Maurice Béjart (021-311 1588). Luc Bondy's production of Ibsen's *John Gabriel Borkman*, starring Michel Piccoli, can be seen daily except Mon till Dec 10 at Théâtre Vidy-Lausanne (021-617 4545).

### VIENNA

Staatsoper Tonight: L'elisir d'amore. Tomorrow: new production of Kenneth MacMillan's ballet *Manon*. Thurs: Die Zauberflöte. Fri: Il barbiere di Siviglia with Vesselin Kasarova, Rockwell Blake and Nicolai Ghiaurov. Sat: Carmen. Sun: Fidelio with Gwyneth Jones and Thomas Moser. Mon: ballet mixed bill (51444 2955). Musikverein Tonight: Daniel Froschauer violin recital. Tomorrow, Thurs, Fri, Sat: Heinz Wallberg conducts Vienna Symphony Orchestra in Bruckner's Eighth Symphony. Sat afternoon, Sun morning: Simon Rattle conducts Vienna Philharmonic Orchestra in Mahler. Sat (Brahms-Saal): Joshua Bell, Steven Isserlis and Olli Mustonen play piano trios by Beethoven, Schumann and Shostakovich. Sun: Nikolaus Harnoncourt conducts concert performance of Monteverdi's *L'Orfeo*, with Anthony Rolfs Johnson, Ann Murray and Wolfgang Holzmair. Dec 11, 12: Seiji Ozawa conducts Boston Symphony Orchestra (505 8190). Konzerthaus Wed: Thomas Hengelbrock conducts concert performance of Mozart's *Zeide*, with

soloists including Joan Rodgers and Rodney Gilroy. Fri: Paul Badura-Skoda piano recital. Sat: John Eliot Gardiner conducts concert performance of Monteverdi's *L'incoronazione di Poppea*, with Sylvia McNair and Anna Sofie von Otter. Next Mon: Hagen Quartet. Dec 8: Czech Philharmonic Orchestra (712 1211).

### WASHINGTON

MUSIC Zubin Mehta conducts National Symphony Orchestra in an all-Mozart programme tomorrow and Fri afternoon at Kennedy Center Concert Hall. Thurs: Georg Solti conducts Stravinsky and Beethoven. Fri evening: Alicia de Larrocha piano recital. Sun: Kennedy Center Honours Gala (202-467 4600). David Zinman conducts Baltimore Symphony Orchestra in an all-Beethoven programme on Thurs, Fri and Sat at Baltimore's Joseph Meyerhoff Symphony Hall, with piano soloist Yefim Bronfman (410-783 8000).

### THEATRE

Season's Greetings: Alan Ayckbourn's biting comic tribute to the traditional seasonal open house. Till Dec 19 at Round House Theatre (301-217 3300). Dancing at Lughnasa: Brian Friel's memory play, set in Donegal 1958. Till Jan 6 at Kreeger Theatre (202-488 4377). Julius Caesar: a Shakespeare Theatre production directed by Joe Dowling. Till Jan 9 at the Lansburgh (202-393 2700). Rollin: a two-person revue of

black vaudeville, with songs, dances and sketches by such greats as Langston Hughes. Written, directed and choreographed by Ron Stevens. Till Dec 18 at Source Theater (202-462 1073). Cats: Andrew Lloyd Webber's musical, directed by Trevor Nunn. Till Jan 8 at National Theater (202-628 6161). Alice in Wonderland: a stage adaptation of Lewis Carroll's tale, directed by Pat Carroll. Till Jan 2 at Kennedy Center Theater Lab (202-467 4600).

### ZURICH

Tonhalle Tonight: Heinz Holliger conducts Tonhalle Orchestra in works by Schumann and Holliger, with soloists Andras Schiff and Miklos Perenyi. Tomorrow, Thurs: Schiff and friends play chamber music by Holliger, Beethoven and others. Fri: Noene Jävi conducts Götterburg Symphony Orchestra in Stenhammar, Beethoven and Nielsen. Sun: Christof Escher conducts Zurich Chamber Orchestra in Gorecki, Boccherini and Schubert, with cello soloist David Geringas (01-261 1600). Opernhaus Tomorrow and Sun: Bernd Bienen's production of Glazunov's ballet *Raymonda*. Thurs: Macbeth with Simon Estes and Gwyneth Jones. Fri: Così fan tutte. Sat: Il barbiere di Siviglia. Sat and Sun afternoons: new staging of Britten's *Let's Make an Opera*. Next Mon: Nikolaus Harnoncourt conducts concert performance of Monteverdi's *L'Orfeo*, cast including Ann Murray, Anthony Rolfe Johnson, Wolfgang Holzmair (01-262 0909).

### ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

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The space shuttle Endeavour is scheduled to blast off from Cape Canaveral tomorrow morning on what NASA calls a routine servicing flight - and critics say is a risky make-or-break mission for the troubled space agency.

The objective of the 11-day flight is to service and repair the Hubble Space Telescope, a \$2bn orbiting observatory which caused NASA huge embarrassment after its launch in 1990, when it turned out that the instrument's 2.4 metre mirror had been ground to the wrong shape. Three hundred miles above the earth's obscuring atmosphere, Hubble should have enabled astronomers to see seven times further into the universe than ever before. Instead, the faulty mirror produced fuzzy pictures only slightly better than the most powerful ground-based telescopes.

The mission is routine only in the sense that Hubble was designed for maintenance in orbit every three to five years. No one had imagined when it was launched that so much would need to be put right now, nor that NASA would be so desperate for a spectacular success to reverse the steady deterioration in its public image after a catalogue of disasters - most recently the loss of the \$980m Mars Observer craft.

NASA has picked a crew of seven space veterans, with an average age of 46, for what is sure to be the most complex and challenging of the 59 shuttle flights undertaken so far. The senior member is Dr Story Musgrave, 53, who has been an astronaut since 1967.

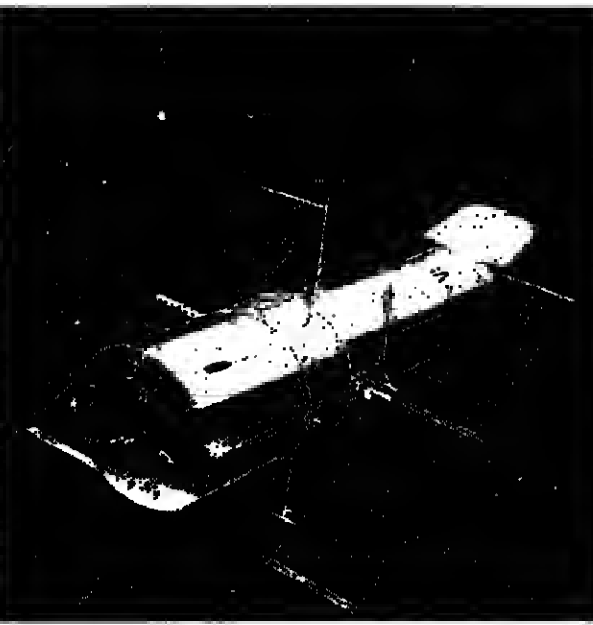
On Friday the Swiss flight engineer, Mr Claude Nicollier, will use Endeavour's robot arm to pull the broken Hubble out to a special stand in the cargo bay. Then the mission plan includes five days of space walks, each lasting six hours, during which the astronauts will work in pairs to put right as many as possible of Hubble's defects.

The single most important job will be to fit "spectacles" to correct the telescope's short-sightedness. An instrument called Costar (for corrective optics space telescope axial replacement) will slot into behind the famous flawed mirror, containing 10 small coin-sized mirrors ground to compensate optically for the defect.

But there are 11 other items to repair or replace. They include faulty electronic components, three failed gyroscopes and Hubble's solar panels, which have been

## Toil and trouble

Nasa needs to repair its public image, as well as the Hubble telescope, says Clive Cookson



Space endeavour: artist's impression of the Hubble telescope

disturbing its delicate instruments by juddering in response to temperature changes whenever the craft passes from sunlight into darkness. Indeed, changing the 12-metre solar arrays - made by British Aerospace as part of the European Space Agency's 15 per cent contribution to the project - may turn out to be the most delicate operation of all.

The schedule is bound to change "as events unfold", Mr Nicollier said last month. "There will be surprises, of that we can be sure. We therefore have to visualise the unforeseeable."

To prepare for unexpected events, the astronauts have been trained longer and more intensively for the Hubble repair mission than for any previous shuttle flight. They have spent 700 hours rehearsing for their 11 days in space, including 400 hours under water in a huge tank built to simulate weightlessness at the Marshall Space Flight Centre in Alabama.

"I may have been in the water hundreds of hours, I may have been in the clean room hundreds of hours getting to

know Hubble's replacement parts," Dr Musgrave said at the end of training. "but, like the Olympics, it boils down to a few seconds. You've got one shot at it. It's got to go right."

As the astronauts know only too well, far more is at stake than their ability to make Hubble work to its original specifications - and possibly give astronomers a view of the distant universe good enough to set off a scientific revolution like the one after Galileo's first use of a telescope 400 years ago.

The future of NASA could hinge on the Hubble mission. A success would begin to shore up public and political confidence in the once-proud agency, which has been undermined by a string of failures since the 1986 Challenger explosion. In particular, it would show that shuttle-borne astronauts can carry out a complicated series of manoeuvres of the sort that will be needed to assemble and use the planned Space Station Freedom, due to go into operation early next century.

A failure would feed ammunition to congressional budget-cutters, who succeeded recently in killing the US's other big science project, the \$1.1bn Superconducting Super Collider, and are keen also to shoot down the multi-billion dollar space station. Its cancellation would leave NASA without a clear future in manned space flight beyond the ageing shuttle programme - and could lead to the agency's dismemberment.

Mr Daniel Goldin, who was appointed NASA administrator by former President George Bush early last year and has been kept on by President Bill Clinton, put on a brave face when he appeared before the Senate science, technology and space subcommittee this month. "We are not afraid," he said. "If we fail [in the Hubble mission], we will dust ourselves down and do it again."

But Mr Goldin pleaded with the senators not to cut NASA's budget any more. The Bush administration reduced its five-year spending plan from an original request of \$10.6bn in 1991 to \$9.6bn; since then, this had been cut to \$7.6bn - and it could fall to \$7.1bn, according to the latest proposals.

With everyone's attention focused on the space-walking astronauts and the implications for NASA of their success or failure, the astronomers - for whose scientific benefit the repair mission is supposedly being undertaken - are feeling rather left out.

"Although some people felt it was an outrageous waste to spend \$2bn on the original Hubble project, because so much money would have been far better returns to science if it had been spent on earth-based observatories, most of us welcomed Hubble because it brought in extra funds that would not otherwise have been spent on astronomy," said one European astronomer. "The same is true of the repair mission. Some astronomers were getting good results from Hubble, faulty as it was, and they didn't want to risk spending \$630m to ruin it, but most of us recognise that NASA has to try to repair it for political reasons."

Even if the Endeavour mission appears to be a spectacular success over the next 11 days, it will not be clear for at least a month whether the astronauts have repaired Hubble and NASA's reputation. It will take several weeks to remote-test all the new equipment, before NASA can send the telescope instructions to start observing. Few pictures in history will be awaited with such anticipation.

## Better secret than sorry



Nobody with a rational cast of mind can imagine a settled solution to the problems of Northern Ireland - or certainly not one that could be in place this century. There is, however, a faint chance, a silver of hope, that the cycle of violence may be brought to an end somewhat sooner than that. This hope has been kept alive, even nurtured, by the weekend storm over the government's back-channel contacts with the IRA.

Let us take each of these propositions in turn. The first tells us why the news from the six provinces is always so doleful. There is not space enough, nor time, to go through the long history that led to the establishment of the Republic of Ireland and Northern Ireland on the same island. The aliveness of a solution to the consequent troubles is sufficiently demonstrated by reminding ourselves that the Protestants are a separate tribe from the Catholics. There is a sad record of mutual hostility. You have only to read republican literature, or see the anger in the face of the Reverend Ian Paisley, the Buthe of Belfast, to appreciate that. No arrangement that completely satisfies the one tribe will be acceptable to the other.

Establishing a united Ireland tomorrow might create a new Bosnia in its north-eastern quarter. So might a unilateral withdrawal of troops; likewise the creation of a quasi-independent state of Ulster, followed by the relieved turning of John Bull's back on the lot of them. Fully incorporating Northern Ireland into mainland British institutions would not bring peace from the republican side. Going back to the use of intimidation of known terrorists would at best deliver only a temporary respite from the killing. It did not work last time, and would not again. Wiping out the opposing terrorist groups is not an option for a liberal democracy. In short, there is no military solution, and no plausible political solution.

This might appear to invalidate the proposition that there may be a way to end the violence. Yet by all accounts Ulster is war-weary. There is a strong desire for peace. This is recorded in many opinion polls and has recently been made clear in statements and marches on both sides of the border. Partly for this reason, and partly as a result of a perhaps over-optimistic reading of intelligence gathered from and about the IRA, the British government has perceived an opportunity. We do not know precisely when this shaft of light struck the hailstorm, but the documents released yesterday suggest that it was in February this year, or possibly earlier. The government took its chance, and launched the peace initiative that was nearly destroyed by Sunday's news that it has been in communication with the IRA.

No one can be happy at hearing that ministers have failed to be wholly open and frank about their actions, particularly when political honesty is in such short supply. That said, it can hardly be denied that Mr John Major and Sir Patrick Mayhew were correct to use an intermediary to explore, supposedly in secret, the possibility of a ceasefire by the Irish Republican Army. The fact that they did so was heavily disguised by protesta-

tions that they were not negotiating with terrorists. Nor were they, but nobody with any sense would have assumed that there was no means of communicating with the opposing forces.

All that has happened over the past few days is that the prime minister and the Northern Ireland secretary have been caught using westerly words in a westerly cause. It appears if they have got away with it and rightly so. Rightly? Forget just for the moment about Mr Major's weak points. His peace initiative is too important to be stopped in its tracks by the unscrupulous custom of finding fault with his motives, or his methods or, also too often, his results.

Admittedly his score in all three areas is less than perfect. Mr Major's attempt to find a formula that brings peace may be founded on the ignoble proposition that if he pulls this one off, his reputation will be restored. His method, that of the whip, has involved at best verbal acrobatics - and at worst statements that do not convey the whole truth. It is evident that the balancing act that gave so much hope last week came unstuck this week. The cause of our bitterest figures, prime minister, may be that much of what he touches seems to fall through his fingers.

Yet the potential prize, a cessation of the random killings of innocent civilians, is too valuable to be lost by reminding ourselves of one politician's negative characteristics. It took courage for Mr Major to take on the responsibility for negotiating a settlement. Cynics will point out, yesterday's documents in hand, that he had reason to believe that a ceasefire was about to be announced by the IRA. This does not materially diminish the political risk he took. As we can now see, the IRA is not easily yanked down, and it was always possible that the veil of secrecy would be sundered.

That is what has now occurred. It has not destroyed the government. Conservatives united behind the prime minister yesterday, in itself a striking indication of the ripeness of the time for his peace initiative. Mr James Moynihan, leader of the larger Unionist party, cemented his alliance with the government by opening his remarks with the observation that Labour's spokesman on Northern Ireland, Mr Gerry Adams, leader of Sinn Féin, Labour has held its hand, knowing the penalty for appearing to jeopardise the chances of peace.

Thus fortified, Mr Major will press on. The back-channels will be used again, if necessary. The IRA may have given an overdose of what Lady Thatcher called "the oxygen of publicity"; it should now announce the permanent ceasefire that the government repeatedly calls for in the published documents. The Protestant paramilitaries should do likewise. There is no reason not to, so long as the government is committed to giving the voice of Northern Ireland the power to decide on any arrangement that may be made about their future.

There may be no obvious political settlement of this tribal conflict, but at least getting everyone to lay down their guns and rely on negotiation and the democratic process would bring a period of respite. Ireland's history suggests that the odds are against success. Mr Major may fail. Yet he is right to carry on, secret communication links and all.

**Major's peace initiative is too important to be stopped in its tracks by the unscrupulous custom of finding fault with his motives**

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Levitt: integrity can never be relative

From Mr Graham Ross Russell.

Sir, The Levitt case raises the question of the role of integrity in financial affairs. An individual's integrity is important in all business dealings, but nowhere more so than in financial services where the repercussions of having a rotten apple in the barrel can affect such large sums of money and hurt so wide a range of victims.

The greatest hurt to victims occurs when a financial services company fails and is not able to meet its liabilities or compensate for past misfeasance. Firms fail for one or a combination of two reasons - over-trading or dishonesty. Hopefully, the action now taken by regulatory authorities in monitoring the trading and capital requirements of firms means that the chances of a financial services company failing through over-trading are much reduced. However, there still remains the danger of dishonesty, when an individual's integrity gives way to greed or fear.

It is recognition of the vital importance of integrity in financial dealings that the Securities Institute has as the first of its two main purposes the maintenance and strengthening of standards of integrity. It is in recognition of this purpose, and of the Institute's second purpose of promoting competence and training that the institute has received overwhelming support from individual practitioners in financial services and their firms since it was founded in March 1981. A member of the public dealing with a member of the institute knows that he is dealing with a professional whose integrity and competence are recognised by his peers.

It would be a sad day for the City and for the future of financial services in the UK if it were ever thought that "small" lapses of integrity are excusable and in a different category from other forms of dishonesty. Surely integrity, like pregnancy, is not relative? An individual who lacks integrity in "small" matters is unlikely to resist temptation if and when he is really put to the test in "large" matters. "Borrowing" money from a pension fund and lying to a regulator are both failures of integrity, and it is not clear that the latter is less serious than the former.

Graham Ross Russell, Chairman, Securities Institute, Centurion House, 24 Monument Street, London EC3R 8AJ

From Mr Richard McManus.

Sir, As the self-confessed fraudster Mr Levitt declares himself "a great believer in British justice" ("City anger at community services order for Levitt", November 27) there must be many of us who are questioning our own beliefs. Mr Justice Laws asserts that 186 hours community service is "commensurate" with the crime that Mr Levitt committed but the same cannot be said for the squandering of millions of pounds from the strained public purse in a futile three-year prosecution and costly trial.

One cannot help feeling that the money could have been better spent directly on a host of worthy projects aimed at improving the lot of those in need of support from the community. It is indeed possible that Mr Levitt may have accepted his onerous sentence without the vagaries of the British justice system if they are brought to book.

Is it possible both to deter wrongdoers and leave the judiciary complete discretion in sentencing? Richard McManus, First Europe, 44 Upham Park Road, London W4 1PG

### A restriction on exercise of choice

From Mr Tony Hockley.

Sir, It is heartening that Sir Bryan Carsberg, director-general of the Office of Fair Trading, has decided that the OFT should investigate the net book agreement ("Book pricing scheme faces review", November 24). The timing of his announcement is impeccable. While the industry is purporting to defend the public interest with its "don't tax reading" campaign, he has highlighted the degree of self-interest that the campaign is also serving.

Based on experience elsewhere, the freeing of book prices from the grip of the publishers would do at least as much to promote literature as the tax break. Regardless of the direct costs and benefits, however, the current situation is both economically and politically unacceptable. It has a negative impact upon competition from other modes of communication and reflects a view that taxpayers should be restricted in their ability to exercise their own choice. Even if the publishing industry does manage to survive this latest attempt on its empire, at least the inquiry will raise public awareness of ways in which we are subsidising it, not only through taxation but through prices.

Tony Hockley, 44 Marsham Court, Marsham Street, London SW1P 4JZ

### Other textiles barriers must come down

From Mr J A Nightingale.

Sir, The policy adviser to Christian Aid, Mr Peter Madden, in his letter on textiles in the Uruguay Round (November 23) omits one vital point. Agreement to phase out the General Agreement on Tariffs and Trade multi-fibre agreement (MFA) is dependent on action being taken at the same time to remove other barriers - most of them far more stringent - which restrict international trade in textiles and clothing, not least in developing countries.

The linkage was recognised by all the Gatt contracting parties when the original Punta Del Este declaration initiating the round was drawn up, and remains an essential component of any firm agreement.

Import bans and prohibitively high tariffs (many currently exceeding 100 per cent) can have no place in the post-Uruguay Round world. Their removal will stimulate development of trade between less developed countries and this will provide at least as great a stimulus to their economies as will the phasing out of the MFA.

It will also, together with the equally necessary reduction of

checks demonstrate the negligible effects of our discharges, as our area medical officer confirmed to Mr Watts in previous correspondence.

All monitoring results are published - both Nuclear Electric's and those of independent regulatory agencies. They confirm that there has been no build up of radioactivity in the environment around our power stations.

I am sorry that Mr Watts has

peak tariffs by developed countries, enable our own industry to seize essential new export opportunities.

Time is running very short to allow a series of tariff negotiations to be completed by December 15. It is time for all concerned to knuckle down to some serious bargaining.

J A Nightingale, executive chairman, Apparel, Knitting & Textiles Alliance, British Apparel & Textile Centre, 7 Shadlow Place, London W1R 7AA

### Monitoring of radioactive discharges

From Dr Bryan Edmondson.

Sir, I was concerned that Mr G A H Watts letter (November 27/28) and indeed its headline - "The unmeasured threat from nuclear power station emissions" - may have misled your readers.

Monitoring of radioactive discharges from all Nuclear Electric's power stations is of course continuous, 24 hours a day. Wide-ranging environmental sampling and measurement

developed such a serious illness. Thirty years of detailed environmental monitoring both in the vicinity of our power stations and around Mr Watts's home, strongly suggest, however, that he should look elsewhere for the cause.

Bryan Edmondson, director of health and safety, Nuclear Electric, Barnett Way, Barnwood, Gloucester GL4 1RS

### A franchise for the future on British Rail's name

From Mr Alan D Morrison.

Sir, I was most interested to read ("50-year rail franchises urged", November 23) that Mr Roger Salmon, franchising director, wants to see rail fran-

chises set up an association of train-operating companies to take a lead in discussing issues such as complementary ticket systems and sharing of stations.

May I suggest British Rail as a good name for such an association.

Alan D Morrison, 5 Pentney Road, London SW12 6RZ

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## FINANCIAL TIMES

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Tuesday November 30 1993

## Frank talk, Mr Kohl

The Franco-German summit, due to start today, is not just another routine event. It is also an opportunity for Frank, private talk about the European Union's role in the Uruguay round of multilateral trade negotiations. With the deadline two weeks away, this may be the final chance.

Last week, Germany's chancellor, Helmut Kohl, agreed with the British prime minister that failure of the round would be "intolerable". He will need to transmit this understanding to the French leadership. Public demonstrations would be counter-productive. But this should not prevent a quiet proffering of both a carrot and a stick.

First, though, must come appreciation of the position. It is in the interests neither of the European Union nor of any single member to see the round fail. It would be still more ruinous if that failure were to be caused by the recalcitrance of the EU. A failure of the round would be failure for agriculture. Even in France, agriculture employs only 6 per cent of the population and generates 3 per cent of gross domestic product. This French neurosis does not show appreciation of the country's long-term economic interests.

Should the round fail over the issue, the European Union would confront three crises. The first would be over the credibility of its desire to act as a positive force on the world stage. The second would be in transatlantic relations. The last and deepest would be over Europe's place in the world. If the round were to founder, to what role, other than a marginal one, could the EU aspire? The US has alternatives, notably its close relationship with the world's most economically dynamic region, as this month's meeting on Asia Pacific Economic Co-operation

(Apec) in Seattle indicated. Is the EU to focus its efforts on increased trade with a bankrupt Russia, a troubled eastern Europe and the mostly stagnant members of the Lomé convention?

Both the European Union and France must remove themselves from the book on which they are impaled. This can be done by accelerating the EU's move towards world prices for agricultural commodities and simultaneously increasing compensation to farmers. The latter would be particularly important if, as the French fear, but the European Commission denies - the Blair House accord were to prove more restrictive than the EU's agreed reforms of its common agricultural policy.

In addition, the French should be assured of strong support where their case is rather stronger, as it is over audiovisual services and, above all, over the obstacle being created by the US. The EU needs to go on the offensive. It can readily do so. The US is vulnerable over its miserly attitude to liberalisation of trade in textiles, over its last-minute amendments to rules governing anti-dumping and services and, first and foremost, over its desire to play fast and loose with multilateralism itself.

The Germans are right not to lecture the French in public, but they must play the frank friend in private. France needs to understand that it cannot exercise a veto that it does not, in fact, possess. This is the stick. Assistance with the resultant political problems is the carrot. In the end, however, it is up to French politicians to persuade their people of the evident truth that clinging to an agricultural past will not give them a better future.

## Building quality

The Financial Times Architecture Award, which reached its final stage yesterday, shows that the best building in the UK today remains of a remarkably high standard. A large entry probably reflects the culmination of the UK development boom of the 1980s - many of the entries were commissioned at that time and completed later. But to be able to field a set of recent buildings as distinguished as St James's Place, the Cranfield Library, Schlumberger Research, the IBM/MSC joint venture at Redhill, the new Heathrow, as well as the winning Queen's Stand at Epsom, is a real achievement.

With almost one third of the architectural profession in the UK unemployed and the top practices having much of their work abroad, the question is whether these standards can be maintained. Recession in the construction industry is the main worry. But business could do more to encourage good work, as could the government - especially when it comes to the few new buildings it commissions directly.

As Sir Simon Hornby, chairman

of the FT jury, said at yesterday's presentation, quality buildings require good clients as well as good architects. But Britain lacks the "culture of good design" that is understood at the highest level in other European countries.

Buildings that have been let or sold well in the City in recent years have tended to be those that were well designed. Better buildings do mean better business, while employees rightly have rising expectations about their working environment. A glance at the entry and the decaying Paternoster Square by Saint Paul's Cathedral shows the real cost of poor architectural and planning standards.

Cost piling by fee bargaining and "design and build", where the architect plays a minor role in the design and construction team, does not provide the best long-term value for money. Award schemes are one way of raising clients' sights. But the main answer lies in visual and architectural education that should continue, with informed and sustained advice, into the cabinet room and the board rooms of Britain.

## Levitt's law

The message sent by the outcome of the Roger Levitt case is unmistakable: one law for white collar criminals and another for the rest of us. More than 40 per cent of people found guilty of theft of less than £200 are sent to prison. Mr Levitt, whose financial services company traded fraudulently, leaving debts of \$24m and many investors with serious losses, walked from court with a sentence of 180 hours community service.

The case represents another low point for the Serious Fraud Office. Just 18 months ago, following the collapse of the second Guinness prosecution and the failure of the year-long Blue Arrow fraud trial, the SFO was in the dock for throwing the book at defendants and presenting prosecution cases of such size that the process became unmanageable. Now it appears to have swung to the opposite extreme, allowing a white collar criminal to escape trial on charges of forgery and false accounting as a result of a botched plea bargain.

What went wrong? The SFO says sentencing is a matter for the judge alone. It admits that it knew Mr Levitt would not go to jail when it accepted his plea in return for dropping the other charges, but felt it could not then back out. The judge, Mr Justice Laws, felt a non-custodial sentence was "commensurate" with the offence to which he had pleaded guilty.

In reality however the case had begun to go wrong months before when, because of its size, the judge ordered it to be split in two. After the SFO had decided to proceed with the fraudulent trading charges, the judge later ruled much of the prosecution evidence of Mr Levitt's alleged deception of

investors inadmissible in the first trial. The SFO appears then to have panicked. Faced with the prospect of a three-month trial in which Mr Levitt's lawyers would be able to put up a defence telling only part of the story, which it could not refute, the SFO decided to offer him a deal. Mr Levitt held out for a guarantee that he would not go to jail. When the SFO's worst fears were realised in the first days of the trial, he got his wish.

Three steps need to be taken to avoid another such case. First, the SFO does not appear to have learnt the lessons of Blue Arrow. Despite reducing the charges against Mr Levitt from more than 60 to 22 the judge still regarded the prosecution case as too cumbersome to be handled in one trial. The SFO must concentrate on a limited number of good counts, so bringing the case down to a manageable size.

Second, the case underlines the need for any system of plea bargaining to be open and formal, allowing the judge to take into account the wider picture when deciding sentence. Plea bargaining can save a lot of public money. It should be encouraged, provided an appropriate sentence results. The Royal Commission on Criminal Justice recommended it. But the government has not found space for the idea in the criminal justice bill. If further study is needed, money should be made available at once.

Finally, judges need to come up with a consistent approach to fraud. The contrast between the sentences passed in the first Guinness trial for an arguably vicious crime and the result in this case is an unhappy one. The Lord Chief Justice should take the lead.

It is being called the most important development in UK retailing since the arrival of the supermarket in the 1950s. In Thurrock, Essex, US company Costco today opens its doors as Europe's first US-style warehouse club.

With six more clubs scheduled to open to the next few months, UK retailers are getting distinctly nervous. The three biggest supermarket chains recently waged a costly - and ultimately doomed - legal battle to try to stop Costco opening, while another national chain has warned suppliers it may stop buying from them if they supply the clubs.

The retailers' anxiety is understandable. In the US these huge sheds, which stock goods at ultra-low prices for sale to business and individual members - in practice, almost anybody in steady employment - have been nicknamed the "silent enemy" because of the insidious but devastating impact they have had on more traditional shops. In the UK, while their market share may be limited, they are expected to force many other retail chains to lower their prices, and persuade some of them to change their entire style of operating.

"I think it is right to talk about a new epoch in UK retailing," says Mr Paul Morris, retail analyst at Goldman Sachs, the US investment bank.

His prediction is based on research in the US, where in 10 years, warehouse clubs have taken retailing by storm. Their numbers have increased from 21 in 1983 to an expected 750 by the end of this year, and their sales from barely \$1bn to about \$40bn, although their growth has slowed in the past two years - one reason why club operators are looking towards Europe.

While US supermarkets usually trade at a gross profit margin of about 25 per cent, warehouse clubs cut that to 10 per cent.

The key to their success lies in taking an old retailing strategy - "pile it high and sell it cheap" - to its logical conclusion.

Clubs offer branded products at prices 25 to 30 per cent cheaper than high street retailers, with some up to 60 per cent cheaper. They achieve such prices by cutting costs and profit margins to the bone, with the aim of shifting huge volumes of goods.

Every area of the business is examined with an eye to cutting costs. Clubs spend virtually nothing on advertising, and employ very few staff. Goods are sold in bulk off steel racking, in vast, spartan sheds built on the cheapest available sites, and clubs stock a highly selective range numbering only 3,500 items (compared with 15,000 in a typical grocery supermarket), but stretching from corn flakes to computers and car accessories.

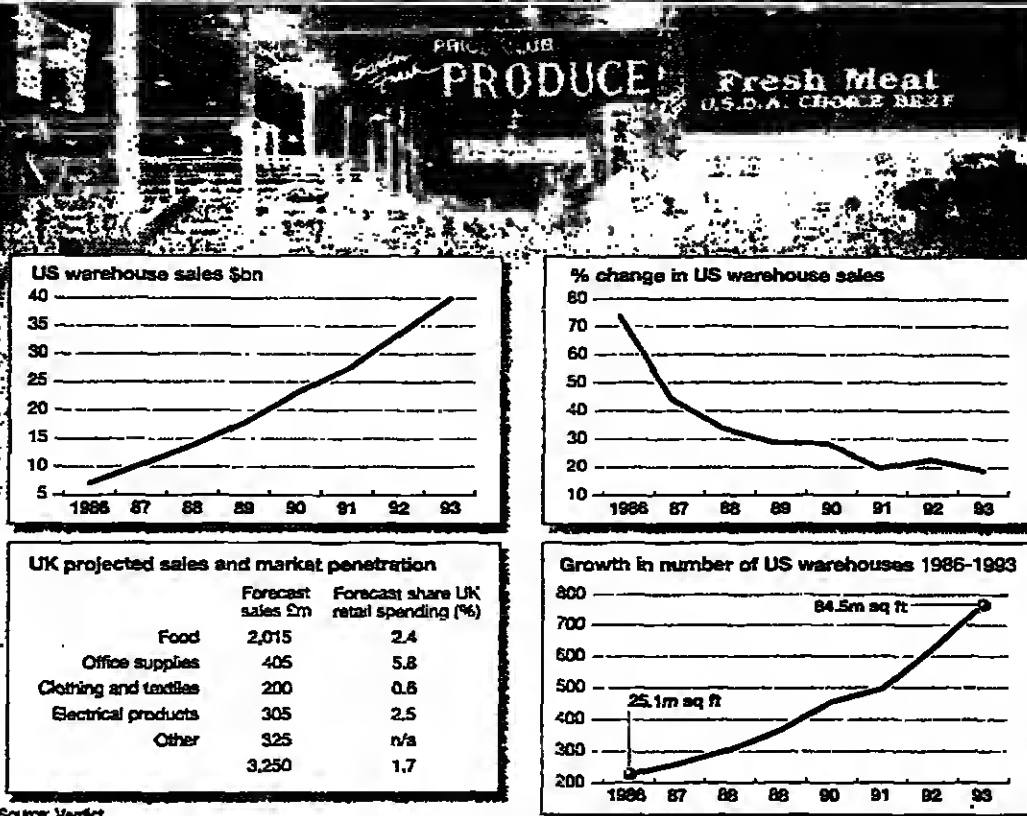
A final important element is membership, on which clubs rely heavily. They typically have more than 40,000 members, each paying about \$25-30 (£17-20) a year, and membership income can account for 80 per cent of trading profit. So far, clubs in the US have not experienced problems with non-payment of fees but it could prove one area of weakness in the UK.

As they cross the Atlantic, the

Neil Buckley scours the retailing horizon as warehouse clubs arrive in the UK

## Silent enemy stalks the aisles

Warehouse shopping: price is right



question facing warehouse clubs is whether they can replicate their success in rather different conditions. Sceptics argue that UK land prices are up to five times higher than those in the US, pushing up warehouse clubs' cost bases significantly, and that UK shoppers may be less willing than their US counterparts to drive large distances to shop, to pay annual membership fees, or to buy in bulk.

On some of the narrow questions, consumer research is inconclusive. A recent survey by market research group Harris International Marketing found 51 per cent of UK shoppers prepared to buy in bulk to save money. But only 27 per cent said they would pay an annual fee.

As to the larger question of whether clubs can have a viable future in the UK, the predictions are more positive. Verdict Research, the retailing consultancy, believes land costs will not be a problem: warehouse clubs do not demand prime retail sites, and the higher margins prevalent in UK retailing will make it easier than in the US for clubs to undercut existing shops.

Verdict has identified 50 potential sites for clubs in the UK. Assuming what it regards as realistic annual sales of \$65m for each outlet, that could give them a £3.25bn share of the £150bn total UK retail market by the end of the decade.

Goldman Sachs is more optimistic. Taking only metropolitan areas, its retail analysts say there is scope for 51 clubs. If less densely populated county districts were considered as available sites, a further 39 could be built. The firm believes clubs could expand at the rate of 10 or more a year, and could achieve sales of £100m each, giving them a £9bn market share over the same period.

Verdict's sales forecast for warehouse clubs is equivalent to only 2 per cent of the total UK retail market, while Goldman's would give them 6 per cent.

"What is surprising about the market share forecasts for warehouse clubs in the UK is they are actually so small," says Mr Richard Hyman, Verdict's managing director. He sees one reason for constrained growth in the lack of areas with a sufficiently large population

to support the clubs. With such moderate forecasts, why are rival retailers so hot under the collar about them?

Part of the answer may be the clubs' expected upmarket customer profile. Although one-third of club members in the US are small businesses, the other two-thirds are individuals drawn mainly from higher income brackets. According to Nielsen Marketing Research, most club customers have an annual income of more than \$40,000 (£27,000), and many earn more than \$80,000. Clubs have done much to make discount shopping not just acceptable, but fashionable.

That could pose a problem for some UK retailers. The high-street food discounters which have expanded rapidly in the past three years, such as Germany's Aldi, France's Netto, and the UK's Kwik Save, have tended to target poorer customers. But warehouse clubs may tempt the more affluent households which currently shop at supermarkets such as Sainsbury's and Safeway.

The breadth of warehouse clubs' product categories means it is not just food supermarkets which fear

they could cream off their best trade. Electrical retailers such as Dixons and Comet, consumer durables retailers such as Argos, and furniture and DIY stores such as MFI and B&Q, could also suffer, according to industry observers.

The most important effect of warehouse clubs, however, could be the most subtle, evolving over several years. By offering such low prices, in combination with the growth of high-street discounters such as Aldi, the clubs could set a new, lower "price floor" across the retail trade, squeezing retailers' profit margins.

This, in turn, could be bad news for manufacturers. Dixons, for example, has told its suppliers it intends to match Costco's price on any product sold by both chains - but it also says it intends to continue making its usual profit margin. The message is clear: supply Costco and you must cut your prices to us.

"Dixons is wielding the big stick," says one supplier. "With times so tough, they know they have the whip hand over suppliers."

Other retailers may find different ways of competing. UK foodstores may follow their US counterparts, which have attempted to fend off the warehouse club threat by offering savings of 30 to 50 per cent on bulk purchases of basic goods, often bundled together in "club packs". Sometimes these are sold off warehouse racking in "club aisles", to mimic conditions in a club.

Some US retailers have adopted even more of the warehouse clubs' low-cost techniques, to enable them to offer lower prices, while selling a larger, often more specialised range. The south-western chain Mega Warehouse Foods, for example, invites customers to "Shop us like a supermarket. Save like a warehouse club." It sells goods cheaply in club-style surroundings, but offers 20,000 items compared to warehouse clubs' 3,500 and has no membership fee.

This trend may already be starting in the UK. J Sainsbury, which has the largest sales and second-highest profits of any UK retailer, is opening an annex to its existing Savemore hypermarket at Beckton, east London, which will sell mainly own-label tinned, packaged and household goods in bulk. There have been reports in the retail trade - denied by Sainsbury's - that the store will incorporate some basic design features of a warehouse club.

The opening of the annex may signal a sharp change of direction for the UK's top supermarket chains. The arrival of warehouse clubs is likely to accelerate the move away from the margin-led approach of the 1980s towards a more volume-driven strategy. But as in the US, some chains may decide they are fighting a losing battle if they try to compete with the clubs on price. Instead they could decide to concentrate on developing their strengths, such as choice, service and convenience.

The result could be both lower prices and a wider variety of styles in UK retailing - and the main beneficiary would be the consumer.

## Where bulk is best

Richard Tomkins visits a Costco outlet in the US

have no idea how much I saved," he says. "But I came in here for some dog food and I came out with a vacuum cleaner and a hairdryer."

The inside of the cavernous warehouse is a store, but brightly lit and clean. Goods are stacked on pallets laid out on metal racks. Fork-lift trucks move continually up and down the aisles, replenishing supplies as fast as the customers exhaust them.

More than a third of the 117,000 sq ft floor space is devoted to food and household supplies. The rest is taken up mainly by electronic goods (desktop computers, television sets, audio equipment and white goods), office furniture and

supplies, do-it-yourself equipment, clothing and toys.

Warehouse clubs make their money by selling large quantities of a limited number of lines. Even so, the variety is wide: tools range from paper clips (\$20 for 4,000) to grandfather clocks (\$999.99 for one). Other products include Huffy 18-speed mountain bikes at \$129.99, janitors' brooms at \$4.79, men's underpants at six pairs for \$8.99, and the Bible at \$25.

Food and drink sells mainly in bulk: sugar, for example, is sold in 50lb bags for \$15.49. Hellmann's mayonnaise comes by the gallon at \$7.19, cans of Green Giant asparagus spears come in six-packs cost-

ing \$8.99, and Budweiser beer is sold in 24-can cases at \$10.49.

Shopping at Costco is for members only, but it is easy to get in. Anyone in business can buy a membership card for themselves at \$50 and six more for employees, friends or relatives at \$15 each. Membership is also open to all public sector employees and their partners.

Costco says 60 per cent of its sales are to business customers, but it is clear that many people are buying for personal consumption even when using their business cards. So are conventional stores feeling the pinch?

John Zucca, manager of the A & P supermarket half a mile down the

road, seems unconcerned: he says his sales have risen since the warehouse opened last year. "Most of our business is small orders," he says. "Costco is fine if you have a big family or you're having a party, but most people don't want to buy 24 rolls of paper towel at a time."

He may be right. Even so, back at Costco, there are plenty of people like Jerry Marrone, a postal worker, and his wife, Joan, who have driven 50 miles to stock up on food and household goods.

Mr and Mrs Marrone say the \$95 they paid for their booty was less than half what they would have paid elsewhere.

Joan Marrone delves into their trolley-load of goods and produces a pack of chocolate chip muffins. "You go in a normal bakery and a muffin that size would cost you \$1," she says. "We have got 12 for \$3.99. You just can't beat that. Britain is going to love this store."

## OBSERVER



"He says he's with his mistress but I think he's in face-to-face contact with the IRA"

after eight years on the job. Although Nicholas's departure from the free-market pressure group is being described as a "management restructuring", he appears to have been just another casualty of the recession.

Faced with a drop in membership from 35,000 to 33,000 over the past couple of years, the IoD has cut its staff by 10 per cent and frozen its annual fees at £100 for next year.

However, the IoD's management has yet to get to grips with its biggest cost centre - its opulent headquarters in Pall Mall, gobbling

up a large part of the organisation's £12m a year running costs. Will Morgan's successor have the stomach to close it down, or at least relocate it to a cheaper end of town?

## Taxed men

However, the recession doesn't seem to be making any inroads into Britain's army of tax advisers, who have been outbidding each other in a desperate attempt to hire big names for their budget seminars.

KPMG Peat Marwick has hired Lord Lawson to sing for his supper this evening and Coopers & Lybrand has Michael Portillo for breakfast tomorrow. Given that Norman Lamont has sold his soul to ITN, Ernst & Young has had to make do with Lord Healey, the former Labour Chancellor. He may be a bit rusty on current policy, but should be good for a more historical perspective.

## Vox pop

Elizabeth Symons is that unusual creature, a popular civil servant. Well, popular enough to be re-elected general secretary of the First Division Association, the senior civil servants' union. Symons, aged 42, has sometimes seemed a voice in a veritable

wilderness, speaking out for an independent, impartial civil service in an era of privatisation, market-testing and greater competition for Whitehall's top jobs.

An effective television performer, she has defended the values of the independent British public service. Her 10,700 members are clearly grateful; normally they are unable to defend themselves in public, a galling situation when difficult political decisions not of their taking are pinned on them.

Her re-election should also ensure the continuation of a little brightness at the Trades Union Congress. The printers' Brenda Dean and the university lecturers' Diana Warwick have gone; Symons is now the sole remaining female general secretary on the ruling general council.

## Just too much

Another gain has been added to the annals of British Rail's list of inexcusable excesses for a frequently poor service. While London Underground was in greater chaos than usual last week, an exhausted and frustrated commuter vainly waiting on a platform in Essex heard these immortal words: "British Rail apologise for the late running of this service which is due to an excess of passengers".

## Community service

Roger Levitt, famously bankrupt financial adviser, didn't have such a bad weekend after all.

On Friday he avoided a jail sentence despite pleading guilty to fraudulent trading. Then on Saturday he watched Arsenal Football Club win a close-fought battle - two goals to one - against Newcastle United at Arsenal's London home turf, Highbury.

At the match Levitt occupied a familiar spot, a private box. In his glory days, when £24m losses were but a distant speck on the horizon, he had a box of his own. Now Levitt must make do with one belonging to his friend Panos Eliades, an accountant and financial backer of heavyweight boxer Lennox Lewis - another interest they share, since Lewis was promoted by Levitt before he ran into his sticky patch.

The lack of his own box did not perturb Levitt. Chomping on a foot-long cigar, he remarked: "Arsenal haven't played better for months," an assessment no doubt bolstered by his own easier breathing.

Still, however chuffed, Levitt chose not to sport his own rather special Arsenal shirt. When his cash was in greater supply he is thought to have paid £4,000 for the

Gunners' shirt worn by Michael Thomas when Thomas scored the winning championship goal against Liverpool for Arsenal four years ago.

Arsenal's detractors, peeved at the club's success, refer to it as Lucky Arsenal; but where would we all be but for a bit of luck?

## Talent spotter

Never accuse Carlton Communications' boss Michael Green of not covering all his bases.

Just three days before he launched his bid for Central, which will give the combined TV group more than a fifth of total UK advertising revenues, he recruited a new non-executive director - Sir Sydney Lipworth, former chairman of the Monopolies and Mergers Commission.

The quietly efficient Lipworth should be able to see off any self-important official who starts asking impertinent questions about absence of competition.

## Directorless

The Institute of Directors, the talking shop for Britain's boardrooms, is running short of directors. Director-general Peter Morgan bows out next year, and his deputy, John Nicholas, is waving goodbye today



## World Bank urges China to maintain fight against inflation

By Tony Walker in Beijing

The World Bank has urged China to stay the course in its inflation fight and has warned of the risks of a painful retrenchment if credit restrictions are eased prematurely.

The assessment, published prominently in People's Daily yesterday, seemed designed to bolster the arguments of those in the Chinese leadership advocating continued restraint.

"Relaxing the credit squeeze too early could ruin the hard-won fruit of controlling inflation, and inflationary pressures could emerge again," wrote Mr E.C. Hua, a senior economist in the World Bank's Beijing bureau.

The conspicuous use of the views of international institutions to influence a bruising internal debate in China is a relatively new phenomenon and one that indicates the growing importance of bodies like the World Bank and IMF as sources of advice. Mr Hua had prepared his assessment as an internal document in September, which makes its prominent use in People's Daily all the more significant.

Mr Zhu Rongji, China's senior vice-premier in charge of the economy, has been engaged in a fierce argument with senior colleagues and provincial chiefs who believe mid-year credit restrictions are too severe.

Mr Zhu is the chief architect of a 16-point austerity programme announced in July aimed at

calming China's overheating economy which is expected to grow this year by 13 per cent for the second year running.

Mr Hua described these projected rates of growth as "unsustainable". He warned that it was much too early to claim a "complete victory" in the anti-inflation fight.

Figures for October showed a resurgence of inflationary pressures to an annualised 21.1 per cent in the 36 main urban centres, up marginally from the previous month.

The World Bank economist blamed spiralling growth in the money supply in the first half of the year for the surge in inflation. M1, the broad measure of money in circulation, grew 54 per

cent in the 13 months to June. Mr Hua, in his preliminary assessment of progress in China's macro-economic reforms, said there was cause for optimism that the "worst had passed". But he warned that the big challenge for the authorities was to keep a tight rein on money supply growth while resisting pressures from state enterprises.

Since his assessment was circulated, however, China's anti-inflation resolve appears to be weakening. Mr Zhu has been obliged to give ground to the state enterprise lobby.

His case was not helped by remarks attributed to Mr Deng Xiaoping, China's senior leader, in which he is said to have advocated growth at almost any cost.

## Efta unhappy with Brussels farm deal

 By Christopher Brown-Hume  
 in Stockholm and Patrick Blum  
 in Vienna

Bargaining over conditions of entry for new members of the European Union is set to intensify after objections from Austria and Finland to the Commission's proposals on farm subsidies.

Austrian officials say the plan to cut agricultural subsidies could undermine public support for joining the Union. And leading Finnish politicians argue that the Commission's suggestions do not go far enough to meet its farming community's climatic and geographical difficulties.

The Commission said last week it wanted to end price support for farmers from the day of accession, when local prices would drop to EU levels. Governments would be allowed to compensate farmers for the difference through state subsidies for a negotiated period, which officials in Vienna say would cost Austria Sch7bn-Sch8bn (\$588m-\$673m) over three to five years.

The sceptical response to the proposals by all four countries belonging to the European Free Trade Association - Austria, Sweden, Finland and Norway - appears to be part of a way of persuading Brussels to put up more EU funds for their farmers.

The Austrian and Finnish objections are likely to intensify negotiations with Brussels over

the financing of transitional aid for farmers in remote or mountainous regions of the four Efta applicants.

However, a public row over agriculture could further weaken public support for the EU in the four, which hold referendums on entry next year.

A senior official from the Austrian chancellor's office said the proposals "were presented in an insensitive way. It had a very negative impact. They could ruin the pro-EU atmosphere in our country." Officials said ministers were besieged last week with angry telephone calls from Austrians saying they would vote against membership.

Mr Franz Fischler, the Austrian agriculture minister, said: "The Community has changed its negotiating position. This is a new situation for Austria and it is not acceptable."

The proposals were rejected by Austria's farmers' association, which said they would ruin farmers and the local food industry. The government, which is grappling with recession and a budget deficit, would not have the money to pay compensation, the association said. It threatened to advise its members to vote against membership.

Finland has made regional aid and agriculture the key issues in its EU membership discussions. In Sweden, however, reaction has been more positive.

## VW unveils riveting system for new Audi

By John Griffiths in London

Volkswagen is considering progressively scrapping spot welding as a way of joining car body panels together in favour of a self-piercing riveting process.

The system, which will be used to build Germany's largest vehicle maker's new aluminium-bodied Audi car for launch next year, has been developed in partnership with Henrob, a small company based in Flint, north Wales, currently employing 34 people.

The project has been kept secret for nearly four years and is now covered by patents held jointly by Audi and Henrob. "We're just glad that Audi are at last letting us talk about it," said Mr Keith Jones, managing director and majority shareholder of the privately-owned Henrob. Under a confidentiality agreement, Henrob would have been required to pay Audi a DM1m (\$447,000) penalty for any breach of confidence which prejudiced the DM1.1bn aluminium car project.

Self-piercing riveting as a technology for joining sheet materials is around 30 years old and Henrob acquired the rights to the basic processes 12 years ago. But the bulk and industrial scale of the plant and equipment required, and the corrosion risks associated with the way the system then worked, severely restricted its potential application. Subse-

quently, it has been largely ignored by the motor industry to date.

However, the process and equipment developed by Henrob and VW produces joints 30 per cent stronger than spot welds and virtually eliminates the corrosion risk, according to Mr Klaus Griesch, Audi's manufacturing planning director. "Another advantage is that it requires a lot less energy than spot welding," he said.

Crucially, the two companies say it is as fast and flexible as the robotic multivelders now used to assemble the several hundred individual pressings which comprise a conventional steel car body shell.

Henrob's robotic riveters are similar in appearance to multivelders, can be manipulated in the same manner and require no more working space. The process requires no pre-drilling but shares the multi-welders' disadvantage of requiring access for the riveting tool to both sides of a joint.

The new Audi, to be called the 300, has 68 per cent of its body joints made with the riveting process.

The process has also been developed to join steel components, which are substantially harder than aluminium and which are currently used in the majority of car bodies.

Rivet pioneers, Page 7

## EU to face France-UK split over airline crisis

Continued from Page 1

12) should invite the Commission to reflect on a fleet reduction plan achieved by agreement with the financial organisations, carriers and manufacturers," the paper says. France calls for a better balance between competition rules and the long-term objective of creating a "powerful and prosperous air transport industry".

In this context, the EU and member states should provide financial support for restructuring, retraining and redundancies. France also wants to tighten up on safety and labour norms to prevent carriers from reregistering aircraft outside Europe.

The UK paper, by contrast, points to the return to profit of airlines in countries with more liberalised markets - Lufthansa

in Germany and KLM in the Netherlands - arguing for effective management rather than protectionist measures. "Airline managers simply have to get their costs under control," the UK says. "Some quite evidently have this well in hand; others, equally evidently, do not."

The British government says capacity restraints will penalise efficient carriers and that Brussels should outlaw "the injection

of large amounts of money by states into certain airlines in a way which distorts competition".

The UK paper calls for national governments to co-operate in rationalising Europe's fragmented air traffic control systems, which cost airlines six to eight times more than the US ATC system, and for Brussels to back down on monopoly handling arrangements at some European airports.

## Carlton opens the box

THE LEX COLUMN

FT-SE Index: 3135.8 (+24.4)

With Mr Peter Brooke still fumbling to load the starting gun for the ITV takeover race, Carlton Communications has leapt out of the blocks by making a £524m conditional offer for Central. If the bid proceeds, Carlton will emerge as the dominant force in UK commercial television, commanding 30 per cent of ITV advertising revenue and with further shareholdings in ITN, GMTV and Meridian.

But Carlton is paying a fat price for the privilege, linking out the equivalent of 25 times Central's forecast earnings for the shares it does not already own. The talk of resultant cost savings is also worryingly vague. Central is leanly run and has recently reduced its staff from 2,050 to 840. But it is probably fair to take Mr Michael Green's assurances about non-dilution on trust, given his ability to lead freely through Central's management accounts as a non-executive director.

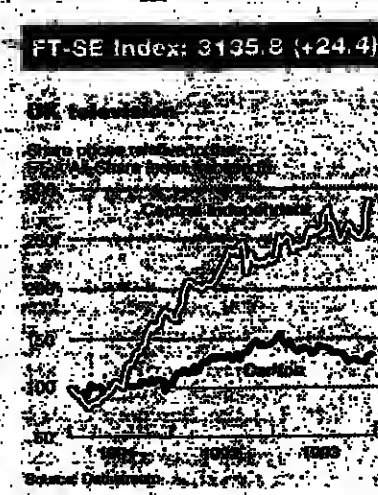
Carlton can certainly channel more production through Central's loss-making Nottingham studios and rationalise some overheads.

Moreover, Carlton's balance sheet will not be unduly strained by the move. Indeed, with post-acquisition gearing of just 30 per cent, Carlton will remain strongly placed for further expansion if the ITV rules are again relaxed. That would further improve the quality of Carlton's earnings, supporting the case for a stock market re-rating.

There remains a slim threat that either parliament, the MMC or a rich foreign bidder could stymie Carlton's plans. The serious longer term worry is whether the combined group's management will prove volatile, given both companies' strongly independent cultures. But such traditions could also hinder the emergence of a powerful rival, creating resistance to any suit by Granada for LWT. The sector's first hostile bid may yet result.

### Japan

The downward slide of the Nikkei average should not send a shudder through the world's financial markets just yet. While previous bouts of weakness have tempered the enthusiasm of Japanese investors for foreign stocks and bonds, the overall pattern of buying has remained intact. True, Japan recorded a rare long-term capital account surplus in 1991 after the bubble economy burst. But a sharp decline in direct investment abroad by Japanese companies - and heavy buying of Tokyo equities by US and Euro-



ket conditions. Excluding depreciation, the cash flow position does look more healthy. That argues for a further write down, but Lasmo's balance sheet is already 70 per cent geared, so institutions and banks may bridle at a further sharp rise. The company's debt is also predominantly in dollars, and further falls in sterling would raise gearing too.

Aside from accounting issues, Lasmo may have to conserve cash if the oil price continues below \$15. The remains of the dividend must be under threat, and the capital expenditure programme may be curbed even though that threatens future development. The alternative of combining a capital injection with a passed dividend would be difficult to sell to shareholders. A bid for Lasmo's assets also seems unlikely while prospects are so uncertain and estimates of its asset value differ so markedly. Lasmo will have to hope that its US shareholders, who seem unconcerned about dividends, are in for the long haul.

### HSBC Holdings

It was the Bank of England which brought in Sir Peter Walters and Mr Brian Pearse to sort out Midland Bank long before HSBC's successful bid. Now that the job is done, a natural break seems in order. That, rather than disagreement, seems to be behind yesterday's announcement that the two men are moving on. Set against expectations that Mr Pearse would eventually assume the chairmanship of Midland, though, the news reinforces the impression that HSBC is tightening its grip on its new acquisition. The market will thus be alert for any shift - more probably of emphasis rather than direction - in strategy.

One issue relates to the loan market, where Midland has become noticeably more aggressive. It admits to concern over the fall in margins on large UK corporate loans. How far it is prepared in practice to restrain its lending as competition for business increases is another matter. Then there is the question of the speed with which HSBC's sophisticated retail technology can be adapted to the UK market.

Getting the answers right requires local experience of the type HSBC is acquiring with the departure of Mr Pearse. Admittedly, a group with such a far-flung empire always has to wrestle with the question of how decentralised control should become. The latest message from Midland is that its parent knows best.

### Lasmo

The recent fall in the oil price must be making a few eyes water in the Lasmo boardroom. Even though oil prices have averaged \$17 a barrel this year, Lasmo is likely to lose money in 1993. This is despite \$425m of exceptional items, including asset write-downs, which the company took in respect of last year.

In part, the unprofitability arises because the carrying value of some assets is still too high for current mar-

**FT WORLD WEATHER**

### Europe today

Frontal systems associated with low pressure areas over the Atlantic will move across the British Isles and into the continent. They will bring cloud and outbreaks of rain or sleet to eastern England and western France. Further inland, in north-eastern and eastern France, precipitation will turn to snow. South-western areas of the Low Countries will also have some snow. Spain and Portugal will have rain or showers, especially in northern and central parts. Central and eastern Europe will be wintry with sunny intervals. Low pressure near Greece will bring rain or showers to most of this region. Balkan countries will continue wintry with outbreaks of snow.

### Five-day forecast

Low pressure systems from the Atlantic will bring milder air to western Europe. As a result, wintry conditions will slowly ease over the continent. Initially, there will be more outbreaks of snow or freezing rain, but precipitation will turn to rain later. Northern and eastern Europe will have outbreaks of snow. The Mediterranean will be unsettled with showers or rain but on Friday drier conditions will move in from the west.

**TODAY'S TEMPERATURES**

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	28	Madrid	12	Frankfurt	8	Paris	10
Algiers	22	Barcelona	15	Glasgow	5	Rome	15
Amsterdam	10	Berlin	8	Hamburg	7	S. France	14
Athens	18	Birmingham	9	Heidelberg	6	Spain	12
B. Aires	20	Bombay	28	London	7	Stockholm	5
Bham	10	Buenos Aires	25	Manchester	6	Switzerland	8
Bangkok	30	Cairo	22	Medford City	1	Taipei	17
Buenos Aires	16	Calcutta	28	Mexico City	1	Tel Aviv	14
Beijing	2	Chengdu	15	Montreal	-1	Tokyo	10
		Dhaka	28	Osaka	1	Turkey	10
		Delhi	28	Prague	1	USA	10
		Dubai	28	Rangoon	28	Vancouver	8
		Edinburgh	5	Seoul	1	Vladivostok	8
		Geneva	8	Singapore	28	Warsaw	5
		Hankow	28	Taipei	17	Winnipeg	1
		Hong Kong	28	Tel Aviv	14	Zurich	8
		Kobe	15	Tokyo	10		
		Kuala Lumpur	28				
		London	7				
		Los Angeles	15				
		Luxembourg	8				
		Madrid	12				
		Manila	28				
		Moscow	1				
		Mumbai	28				
		Nairobi	28				
		Osaka	1				
		Paris	10				
		Perth	1				
		Rangoon	28				
		Seoul	1				
		Singapore	28				
		Taipei	17				
		Tel Aviv	14				
		Tokyo	10				
		Turkey	10				
		USA	10				
		Vancouver	8				
		Vladivostok	8				
		Warsaw	5				
		Winnipeg	1				
		Zurich	8				

This announcement appears as a matter of record only

**£2.1 million further financing by CINVen to assist**

**Nationwide Access Platforms Limited**

in the acquisition of the Access Rental Division of Roskel plc

Equity provided by CINVen Funds

Coopers & Lybrand, Birmingham were the investigating Accountants

Having the capital to back a big idea is only half the secret.  
Having the vision to spot one is the other half.

**CINVen**

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## INSIDE

Blessing Italian  
bank mergers

The Bank of Italy has in recent years encouraged mergers to create stronger, more competitive financial institutions. Page 18

## Big guns aim at Mexico

US and European investors are manoeuvring swiftly to take stakes in Mexico's fledgling insurance sector. Page 20

## Noranda cuts timber

Noranda, the resources group controlled by Toronto's Brompton family, is reducing its exposure to the forest products sector by cutting its stake in Noranda Forest, its pulp and paper subsidiary, from 83 per cent to 74 per cent. Page 20

## Airlines may collapse

Aerolineas Argentinas, the troubled carrier operated by Spain's Iberia, may be allowed to collapse. Page 21

## Equitable injects

Equitable, the US insurer, plans to inject \$800m into its US life insurance company before the end of the year. Page 21

## Qantas names finance chief

Qantas, the government-controlled Australian airline, has announced that Mr Gary Toomey had been appointed chief financial officer with effect from December 1. Page 22

## Bank results provide few answers

It has been a mixed results season for the Australian banking sector. Page 22

## Dagety chases a lead



Dagety, the UK food and agricultural supplies group, has bought Paragon Petcare from British Petroleum for £42m (\$63m) in cash. Dagety says the deal will give it continental sales of more than £100m annually and 12 per cent of the European petfood market by volume. Page 24

Tring postpones flotation Tring International, the UK budget price compact disc company, postponed its planned flotation. Page 24

Dorling Kindersley warns Shares in Dorling Kindersley, the recently floated UK publisher, fell nearly 10 per cent after the publisher warned that trading had been disrupted by a computer problem. Page 24

Few sparks likely Eastern Electricity today opens the interim results season of the 12 UK regional electricity companies. Page 25

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Foreign exchanges	38	World stock index	38
London recent issues	33	UK dividends announced	24

## Chief price changes yesterday

FRANKFURT (DM)		PARIS (FF)	
Al Ind & Met	1445 + 15	Al Ind & Met	700 + 10
BP & Repet	841 + 25	BP & Repet	1190 + 13
Deutsche Bank	1180 + 15	Deutsche Bank	821 + 20
Elf Ind	575 + 15	Elf Ind	487 + 10
Eni	313 + 20	Eni	329 + 20
Indesat	354.5 + 11.5	Indesat	329 + 20
London (Pence)		London (Pence)	
BP	494 + 14	BP	430 + 44
JP Morgan	71 + 14	JP Morgan	1770 + 250
Pratt & Whitney	574 + 24	Pratt & Whitney	1550 + 230
Shell	544 + 14	Shell	317 + 50
Unilever	84 + 24	Unilever	575 + 55
Westpac	695 + 1	Westpac	575 + 55

## New York prices at 12.30pm

NEW YORK (Dollars)		NEW YORK (Dollars)	
Al Ind & Met	40 + 11	Al Ind & Met	59 + 45
BP	232 + 30	BP	180 + 11
Deutsche Bank	275 + 20	Deutsche Bank	225 + 35
Eni	313 + 15	Eni	380 + 21
Indesat	354 + 4	Indesat	32 + 4
London (Pence)	304 + 11	London (Pence)	170 + 11
Shell	362 + 30	Shell	170 + 11
Unilever	257 + 405	Unilever	170 + 11
Westpac	715 + 9	Westpac	170 + 11
Yield	145 + 15	Yield	145 + 15
Yield	222 + 21	Yield	145 + 15
Yield	145 + 7	Yield	145 + 15

FINANCIAL TIMES  
COMPANIES & MARKETS

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Tuesday November 30 1993



## Ferruzzi creditors approve rescue plan

By Haig Simonian in Milan

Bank creditors representing more than 85 per cent of the total borrowings of Italy's Ferruzzi group yesterday gave their approval to a controversial rescue plan drawn up by leading Italian lenders.

Reaching the 85 per cent level means shareholders' meetings to approve the recapitalisation of the Ferruzzi Finanziaria (Ferfin) holding company and Montedi-

son, its main industrial subsidiary, will go ahead as planned today and tomorrow.

Mediobanca, the Milan merchant bank behind the rescue plan, and Mr Guido Rossi, Ferfin chairman, had stressed the restructuring could be put at risk if the 85 per cent level was not reached.

Securing the agreement of enough creditors became a virtual certainty yesterday after Deutsche Bank, one of the main

critics of the restructuring plan, broke ranks with other leading foreign creditors and accepted the proposal. The decision, ostensibly for "political" reasons, weakened the front of non-Italian banks, which opposed the Mediobanca scheme when it was presented last month.

In contacts with other foreign creditors, Credit Suisse said efforts to prepare an alternative scheme would continue, in spite of Deutsche Bank's decision to

resign from the committee of five foreign banks. The other banks include Barclays, Union Bank of Switzerland and Citibank.

Last night, the four remaining banks repeated their refusal to be railroaded into a settlement. They said "such a complex plan cannot be the object of careful revisions and consideration within the very short time requested by Ferruzzi".

Credit Suisse said the foreign banks' group would meet on

Wednesday and hoped to share its conclusions with other foreign creditors before Christmas.

The Mediobanca plan calls for moratoria and below-market rates on interest payments on Ferruzzi group borrowings, as well as reschedulings of most debts. Ferfin had net borrowings of L22,800bn (\$13.4bn) at the end of June.

Last week, Mediobanca issued an "updated plan" which went some way to meeting foreign

banks' criticisms by removing a number of companies, to which foreign banks were most exposed, from the rescheduling proposals.

Shareholders in Ferfin and Montedison will be also asked to approve legal action against Price Waterhouse, which audited the two companies. The boards of Ferfin and Montedison say the firm failed to spot severe financial irregularities which allegedly arose under the previous management.

## Raymond Snoddy examines the first of the UK's big commercial television takeovers

Carlton bids  
£758m for  
Central rival

Mr Michael Green's Carlton Communications launched the ITV takeover game yesterday with an agreed bid for Central Independent Television which valued the second largest ITV company at £758m.

The cash and shares offer at the equivalent of £26 a share came just five days after Mr Peter Brooke, national heritage secretary, proposed changing the ITV ownership rules to allow, for the first time, a single company to own a total of two broadcasting licences.

Mr Green, who will become the most powerful figure in UK commercial television if the Central deal, conditional on parliamentary approval, goes through. The combined group will command around 30 per cent of total ITV advertising revenue. Central already owns 20 per cent of Meridian, the south of England broadcaster, while Carlton holds

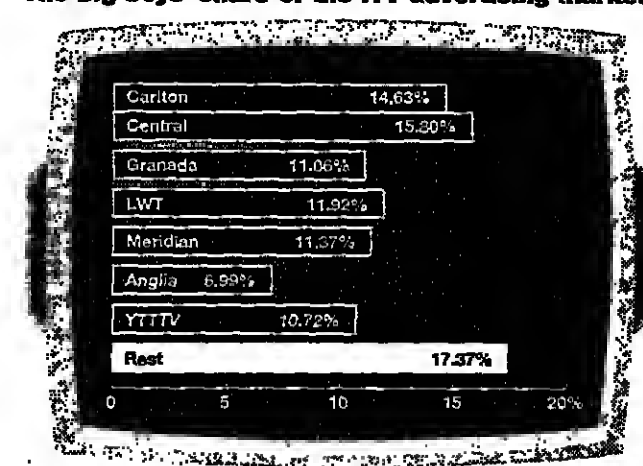
20 per cent of Good Morning Television, the commercial broadcaster.

Carlton, whose interests range from television facilities and professional equipment to video-cassette duplication, yesterday underlined its growing strength by announcing a 26 per cent increase in pre-tax profits to £126.1m.

Central's share price rose more than 14 yesterday to £25.73 and Carlton finished 30p up at 77p.

Two other forces in independent television are also expected to make takeover moves. Granada Group is thought to be eyeing London Weekend Television, a company in which it holds 20 per cent, and Lord Hollick, chairman of Meridian Broadcasting, is predicted to go for either Anglia Television or HTV, the ITV company for Wales and the west. But neither Mr Gerry Robinson, the Granada chief executive, nor

## The big boys' share of the ITV advertising market



Source: Media Week

Lord Hollick like the current ITV share prices and it is far from clear when they will make a move.

Mr Green said yesterday that the Central deal would create "a serious critical mass" of programme production and promised that appropriate Carlton network programmes would be made in Central's Nottingham studios, which are underused.

Mr Neil Blackley, media analyst at stockbroker Goldman

Sachs, said last night: "In television terms it's a great move. It's a real power base."

The deal will lead to a reorganisation of administration and support services at the two companies and there are fears of job losses.

Ms Anne Rawcliffe-King, of the broadcasting union Bectu, warned that the concentration of power within ITV resulting from the takeover would "seriously unbalance the system".



Michael Green: to become a dominant figure in UK commercial TV

The consolidation of the UK's commercial television network followed the expected script to the letter yesterday as Mr Michael Green's Carlton Communications made an agreed £758m (£1.12bn) bid for Central Independent Television.

Mr Green, who bought a 20 per cent stake in Central for £28.5m in 1987, pounced less than a week after Mr Peter Brooke, national heritage secretary, proposed changes that will allow one independent television company to own two large ITV licences.

The deal - subject to parliamentary approval of the rule change - will make Carlton by far the largest ITV company, broadcasting to 26m people and accounting for about 30 per cent of the ITV advertising market.

If the rest of the ITV takeover script runs to form, Mr Gerry Robinson, chief executive of Granada Group, and Lord

Hollick, chief executive of MAJ, the dominant shareholder in Meridian Broadcasting, could soon join Mr Green as power brokers of the ITV network.

Granada, which owns 20 per cent of LWT, is expected to make a - probably hostile - bid for the rest of the London Weekend station. Lord Hollick's likely targets are Anglia Television or HTV.

Three super ITV companies would then control more than 70 per cent of ITV's £1.5bn-plus advertising revenues. With this would come the power to take decisions, which at present lies with an unwieldy 14-company structure.

Talks got under way between Carlton and Central last Wednesday. Central was still planning to bid for Anglia but on Thursday decided to put it on ice

whether a deal could be done with Carlton. Negotiations continued over the weekend and the Central board agreed the deal late on Sunday.

The deal values Central's shares at £26 each - two years ago they stood at less than £7. It comprises £204m cash, Carlton shares and Carlton preference shares.

Carlton accompanied the takeover news with preliminary results for the year to September, showing a 26 per cent increase in pre-tax profits to £126.1m on turnover up 56 per cent to £1.08bn. Earnings per share rose from 33.4p to 42p, and a final dividend of 11.3p makes a total of 18.7p, up 10 per cent.

Ten years ago Mr Green reversed the

unknown Carlton into the Fleet Street Newsletter to produce a company capitalised at £10m. The newly enlarged Carlton would be capitalised at more than £2bn.

Yesterday Mr Green, shoes kicked off, chomping contentedly on a cigar, expressed exasperation at Labour MPs who condemned him for jumping the legislative gun. He suggested the agreed bid was a model, with commitments to regional production underlined and plans for more programme production.

"In television English is the international production language," said Mr Green, who is looking at the possibility of following BBC World Service Television into international markets, particularly in Asia. He is also chairman of

Independent Television News, in which he has an 18 per cent stake.

He promised an increase in programme production at Central's Nottingham studios. The two companies are complementary in that Carlton is a publisher-broadcaster commissioning most of its programmes from independent producers, while Central makes a significant proportion of programmes in house.

However, savings will have to be made to protect earnings. First signs are that the target will be £10m a year which could mean job losses, mainly in administration.

Mr Leslie Hill, Central's chairman and chief executive, will continue to lead it as a separately run subsidiary and will join the Carlton board.

Carlton already has acceptances for the proposed deal representing 39 per cent of Central's equity.

Australian securities industry  
votes against super shares

By Nikki Tait in Sydney

Fund managers and members of Australia's securities industry are strongly opposed to the introduction of shares with "super voting rights", according to a poll conducted by the Securities Institute of Australia.

In a submission to the Australian Stock Exchange, which is canvassing opinion, the Securities Institute of Australia said a poll of members delivered "a resounding 92 per cent vote against such shares".

The results of the poll are a further blow to Mr Rupert Murdoch's News Corporation which in September announced plans for an issue of shares with enhanced voting rights. Critics

fear such schemes would be used by managements to entrench their positions. The company has yet to issue formal details.

The SIA represents individuals working in the securities industry. Significantly, stockbroking members voted 91 per cent in favour of the existing "one share, one vote" principle, the SIA said.

Meanwhile, the Australian Investment Managers Group, which speaks for most of the main fund management businesses, said that the "one share, one vote" principle had worked well and that "any move to bring in another regime, whose only purpose can be to allow a minority investor to have effective control in perpetuity, will have adverse implications for the

integrity of the Australian capital markets".

It stressed that the issue raised "an important question of public policy and questions of regulation to protect shareholders which are not just, or even mainly, for the ASX".

Earlier this month News Corp toned down key features of its proposed super share issue. The media company said it would place a "cap" of 40 per cent on the aggregate number of votes which could be exercised by holders of super shares. In addition, new shares would be transferable without loss of voting power and they would be quoted on the ASX which would need to change its listing rules to permit the News Corp scheme.

Sabena and Delta strengthen  
links with route sharing deal

By Andrew Hill in Brussels

Sabena, the Belgian state carrier, is to strengthen its links with Delta Air Lines of the US. The Belgian carrier announced that the two airlines would share the Brussels-New York route from January 16. Passengers booking through Sabena or Delta will travel on one of Sabena's Boeing 747 aircraft to and from New York's JFK airport, and Delta will supply its own cabin crew.

Sabena, which has been working to cut costs and improve its service, said the arrangement would save it some Bfr600m (£16.6m) a year in operating costs. In March, the two companies announced a similar deal on the Brussels-Atlanta route.

Sabena said there was "always

the possibility" that the Belgian carrier might co-operate with Delta on other routes.

The Sabena announcement follows the collapse of talks on an ambitious merger between four European airlines - Swissair, KLM, Royal Dutch Airlines, Scandinavian Airlines System and Austrian Airlines. The carriers announced the end of talks last week after failing to agree on a suitable US partner.

Delta, which has cross-equity links with Swissair, was one of the possible partners. Sabena said yesterday that the success or failure of the four-way "Alcazar" alliance had not been a factor in negotiations with Delta on the Brussels-New York route.

European carriers have moved quickly to establish alliances

with their US counterparts in recent years. Air France, which has a large stake in Sabena, has linked up with Continental Airlines of the US. The Belgian carrier said yesterday that the competition between the two alliances would be slight because Continental does not fly between New York and Brussels.

"This co-operation (with Delta) is proof that Sabena can develop its own strategy with the approval of Air France," said the Belgian airline.

Lufthansa and Austrian Airlines have renewed negotiations on a co-operation agreement, Reuters reports from Vienna. Austrian Airlines said it met the German carrier on Friday for their first negotiations since the collapse of the Alcazar talks.

This announcement appears as a matter of record only

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## INTERNATIONAL COMPANIES AND FINANCE

# Brian Pearce hands over Midland reins to HSBC

By Alison Smith

Mr Brian Pearce, chief executive of Midland Bank is to retire in March and be succeeded by Mr Keith Whitson, in changes to the Midland board that strengthen HSBC Holding's grip on the UK clearing bank it acquired last year.

At the same time, Sir William Purves, chairman of the HSBC group, is to take over from Sir Peter Walters, whose impending departure as chairman of Midland was announced earlier this year.

Sir Peter is becoming chairman of SmithKline Beecham, the pharmaceuticals group.

It had been widely expected within Midland that Mr Pearce, 60, would succeed Sir Peter as the bank's chairman.

Mr Pearce refused to com-

ment on whether he was disappointed at leaving Midland, although he said that he had achieved what he "set out to do" when he joined the group from Barclays Bank in March 1991.

"I think there could be an advantage [in Sir William's becoming chairman]," Mr Pearce said. "It will help to knit the two cultures of the bank even closer together." However, he added: "I don't feel 60."

Although Midland's after-tax profits were wiped out in 1990 and 1991 by losses on loans to UK companies and consumers, its more recent performance has been much improved.

In August it reported pre-tax profits of £385m (£570m) for the first six months of 1993, against £60m a year earlier.

HSBC said it was standard practice within the group for the chairman of the group to chair subsidiaries - Sir William already chairs, for example, the British Bank of the Middle East.

Mr Whitson, aged 50, has been deputy chief executive of Midland since 1991 and has worked for HSBC for more than 30 years. He said yesterday that he saw his task as maintaining the progress that had been made since the acquisition, and in continuing the emphasis on customer service.

As chief executive of Hongkong Bank's operations in the UK from 1987 to 1989, Mr Whitson worked closely with senior Midland executives, after HSBC acquired its first stake in the clearing bank in late 1987.

Lex, Page 16

## QMH chief points to April for refinancing

By Maggie Urry

It could be April next year before Queens Moat Houses can finalise details of a £1.5bn (£1.9bn) refinancing agreement with its 65 banks, Mr Stanley Metcalfe, chairman, told shareholders yesterday.

He said discussions should persuade the banks to extend the standstill agreement which expires at the end of January.

Only after agreement has been reached with the banks can a restructuring plan for the hotel group's debt be put to shareholders.

Mr Metcalfe spent out the company's position at a packed, and sometimes angry, annual meeting yesterday, followed by an extraordinary meeting. On a show of hands shareholders voted against adopting the annual report. However, on a poll the resolution was carried by 358.7m to 52.5m.

Argument centred on the group's valuations of its hotels. Weatherall Green & Smith had valued the hotels at £1.35bn in May, after a draft valuation had shown a figure of £1.86bn. But Jones Lang Wootton was then appointed to revalue the hotels and came up with a figure of £261m, which had been incorporated in the 1992 accounts.

Mr John Beirstow, the former chairman, admitted he carried most responsibility for the mess the company was in. He said the new board did not have sufficient property expertise and was "shooting itself in the foot" over the valuations.

Mr Metcalfe repeatedly told shareholders that the company could only continue trading with the banks' support. He said of the group's debt of £1.3bn it was not paying interest on £200m.

The group's cashflow was too low to sustain the company without "a significant reduction" in debt and a further "significant" amount becoming non-interest bearing. He could give no indication of the size of the debt-for-equity swap being negotiated and thus the dilution of existing shareholders.

# Italian banks close their ranks

Haig Simonian on the background to a spate of regional mergers

A decade ago, one big regional bank merger a year in Italy would have seemed revolutionary. In the past month, three regional banks have taken over like-sized counterparts, while another pair are merging amicably.

Two deals were finalised last week alone. Banca Popolare di Verona, a stockmarket-listed bank based in Verona, clinched control of Banco San Geminiano e San Prospero, a regional counterpart from Modena after a three-week struggle.

Banca d'America e d'Italia, the Italian subsidiary of Germany's Deutsche Bank, took a controlling stake in Banca Popolare di Lecco, a 89-branch regional bank based just north of Milan.

The deal will cost BAI about £410m (£475m) after an obligatory public tender offer to buy out minorities.

Earlier in the month, Cassa di Risparmio di Parma e Piacenza, a fast-expanding savings bank, said it was planning to buy control of Credito Commerciale, a Milan-based regional bank and trade finance specialist which has fallen on hard times.

Even after handing 40 of Credito Commerciale's branches to its parent company, Simma's big Monte di Paschi, the Parma institution, will be adding 70 branches to its network.

In Bologna, one of Italy's main business centres, two big regional banks have advanced their plan to merge. Earlier this year, Credito Romagnolo,

the bank of Italy's fears of a foreign incursion have proved

larger of the pair, reached agreement with the city's savings bank on a share swap. The exchange was seen as the first step in a courtship leading to an eventual marriage. Recently, the two banks have said they intend to hurry the nuptials.

All the mergers have the blessing of the Bank of Italy, which has in recent years encouraged mergers to create stronger, more competitive financial institutions.

Italian banking is still very fragmented compared with France, Germany or the UK, where the sort of concentration now taking place is largely history. Concerned about the growth in foreign competition expected after the European Union's free internal market, the central bank began in the early 1990s to encourage regional banks to merge.

The aim was to form bigger, more efficient and better-capitalised banks, reaping economies of scale offering more services than one bank alone. Concentration was also stimulated by substantial tax breaks for mergers.

## REGIONAL BANK TAKEOVERS

Bank	Shareholder	Value
Banca Popolare di Lecco	Banca d'America e d'Italia	£410m
Banca Popolare di Verona	Banca Popolare di Lecco	£410m
Cassa di Risparmio di Parma e Piacenza	Credito Commerciale	£410m
Credito Commerciale	Cassa di Risparmio di Parma e Piacenza	£410m

\*No branches being sold back to parent

largely unfounded. Only two big transactions had taken place until last week. In 1986, Deutsche Bank spent \$600m on BAI.

Three years later, Credit Lyonnais of France bought an interest in Credito Bergamasco, which it now controls.

Takeovers from abroad have been limited by very high asking prices for the sort of well-located regional banks in demand, and by their scarcity.

Although the recession has pushed out additional supply changes in business priorities among many foreigners, now pre-occupied by domestic downturns, has tended to dampen their interest.

Worries about Italian political and economic uncertainty have also played a part. Significantly, neither of the two "White Knights" believed to be interested in Banco San Geminiano were foreigners.

Italian banks may also be better placed to understand the opportunities in their market and judge whether asking prices are reasonable, even if they remain high.

The amounts paid for Banco San Geminiano and Banca

Popolare di Lecco appear astronomical, in spite of the recession. That is especially true if the deals are seen against next month's privatisation of Credito Italiano, Italy's seventh biggest bank, which has almost 800 branches nationwide. Analysts estimate the 67 per cent stake being floated will raise about £2,000bn.

The continuing attractiveness of regional banks has various causes. The protection offered until 1990 by the Bank of Italy's branch expansion rules allowed the biggest regional banks to build up sizeable networks, which were highly concentrated in a specific part of the country.

Fierce local loyalties meant the regional banks often enjoyed near monopolies, even when competition increased after the central bank relaxed its branching rules. And the established presence of the regional banks and strong local roots often provided unparalleled access to both depositors and growing small and medium-sized businesses, on which the regional banks tend to concentrate.

Together, that could spell big profits, especially for regional banks in the richest parts of northern Italy, such as Lombardy, Emilia Romagna and the Veneto.

Combined with relatively low staffing costs and good management, many northern regional banks have gained a cachet that this month's price tags are beginning to show.

## NCC aims to raise SKr545m

By Christopher Brown-Humes in Stockholm

NCC, the Swedish property and construction group, plans to ask shareholders for up to SKr545m (\$64.9m) in new capital following a return to profit for the first nine months of 1993.

The company said a stronger capital base would enable it to participate more actively in the restructuring of the construction industry which is under way in Sweden.

NCC is to offer new shares on a two-for-five basis at

SKr27.50 a share, a substantial discount to the SKr64 at which the shares were trading last week.

The issue, which will raise the group's equity-to-assets ratio by two percentage points to 22 per cent, is being supported by Nordstjernan, the Swedish property and construction group which with 55 per cent of the capital is NCC's largest shareholder.

NCC had a pre-tax profit of SKr548m for the first nine months, compared with a SKr252m loss in the same 1992 period.

However, before extraordinary items, profit amounted to just SKr73m, compared with a SKr101m deficit last time.

The improvement was helped by cost-cutting and reduced losses from associated companies.

It came in spite of the continuing collapse of the Swedish construction market, which pushed down revenues to SKr13.0bn from SKr14.9bn.

NCC expects a full-year pre-tax profit of between SKr400m and SKr500m, before an expected SKr300m in write-downs on property developments.

## Turkey cancels paper group sale

By John Murray Brown in Istanbul

Plans to sell part of the Turkish state paper company were cancelled yesterday along with a rescheduling of the sale of the state aircraft tyre factory. The developments deal a severe blow to Turkey's privatisation programme.

Turkiye Selulor ve Kagit Fabrikalari (Seka), the state-owned paper and pulp group, confirmed that it had not

received any bids for its Balkesir factory, which the company had put up for sale in September at a minimum price of \$250m.

Seka is Turkey's largest producer of newsprint. The company, which is arranging its own privatisation, is now expected to approach the main newspaper groups Sabah and Hurriyet to seek a buyer.

Separately, the tender for the government's 50 per cent stake in Petlas, the tyre manufacturer, which was due to close yesterday has been extended to December 14, in order to give the government agency in charge of state assets sales more time to attract buyers.

The agency had set a minimum price of around \$100m.

Petlas was formed in the 1970s in the wake of the US arms embargo on Turkey, following the invasion of Cyprus in 1974. It makes tyres for aircraft and military land vehicles.

turer, which was due to close yesterday has been extended to December 14, in order to give the government agency in charge of state assets sales more time to attract buyers.

## Varta may pass dividend

By Christopher Parkes in Frankfurt

Varta, the German battery manufacturer, may omit its dividend this year, Mr Erhard Schipporeit, chairman, warned yesterday. The company is also considering plant closures but no decisions have been made.

The company, which paid a DM10 dividend last year, blamed increased competition, industry-wide overcapacity and currency upheavals for a "considerable fall in profits".

Markets had already been

warned of a reduced payout after Varta announced a 75 per cent decline in net earnings to DM6m (\$2.9m) for the first six months of 1993.

Turnover had fallen 8 per cent to DM1.56bn in the nine months to end-September, Mr Schipporeit said. The group had reduced its workforce by 6 per cent in the period to less than 14,000 and the cuts would continue next year, he added.

Earlier this year Varta announced plans to reduce vehicle starter battery capacity.

## Air Liquide confident

By John Riddling in Paris

Air Liquide, the French industrial gases group, should achieve net profits for 1993 similar to the FF2.3bn (\$372m) recorded in 1992, according to Mr Edouard de Royere, the company's chairman.

In a French press interview yesterday, Mr de Royere said he was unable to give any forecasts for next year as the company's subsidiaries have not yet set their targets. But he said that steps had been taken to ensure profitability.

Mr de Royere said the group was in a position to expand and was ready "to seize the opportunities of acquisitions". He added that the group has the financial resources to be aggressive and the experience to take "controlled risks".

At the end of last year it had net debts of about FF49bn and a debt to equity ratio of 30 per cent. The company said that gearing had been reduced during the current year.

Mr de Royere cited China as an area of geographical expansion.

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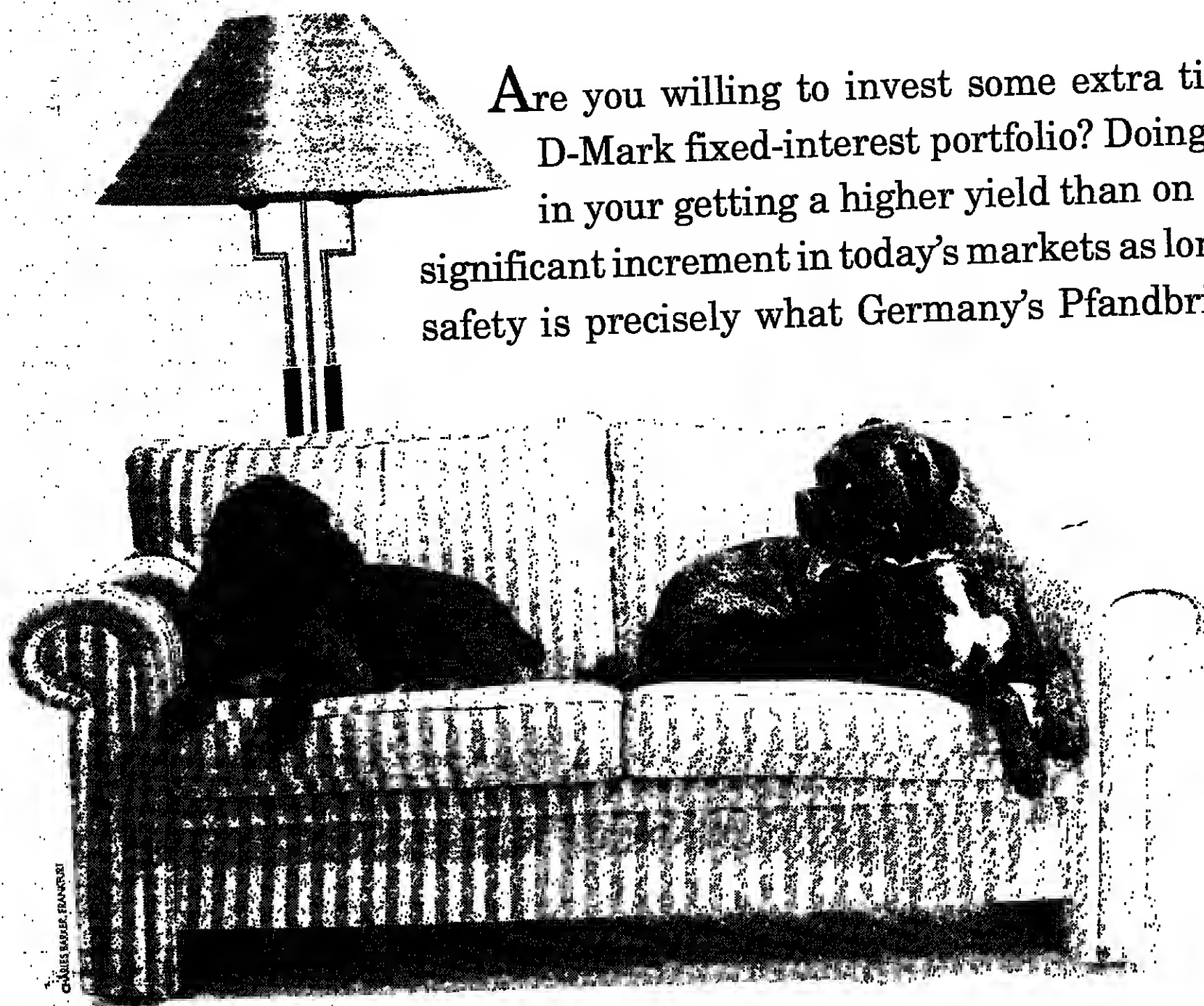
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Germany are bonds issued to refinance mortgages or public projects, an idea that goes back almost 225 years to the time of Friedrich der Grosse. These bonds are subject to Germany's particularly stringent Mortgage Bank Act.

For example, Pfandbriefe can only be issued by specially authorized banks which are fully liable for each issue. The bonds are

secured by mortgages or by public-sector loans. Pfandbriefe must be backed by separate funds with at least identical yields and maturities. And all Pfandbriefe are monitored by a trustee designated by the state.

Thanks to these and other requirements, no investor has ever failed to receive 100 % repayment on a German Pfandbrief held to maturity. Good reasons why Pfandbriefe, at DM 832 billion at year-end 1992, amounted to about 40 % of the entire fixed-interest securities market in Germany. Of this total, the nation's 26 private mortgage banks accounted for over 60 %. More bite in your D-Mark portfolio is what you get with German Pfandbriefe.

German Pfandbriefe are officially quoted on German stock exchanges. Issuers actively maintain a well-functioning secondary market.

## MAYBE IT'S TIME TO PUT MORE BITE INTO YOUR D-MARK PORTFOLIO.

### GERMANY'S MORTGAGE BANKS

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RHEINHYP, FRANKFURT  
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG  
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT  
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HYPOTHEKENBANK IN BERLIN AG, BERLIN



## INTERNATIONAL COMPANIES AND FINANCE

## Mexico proves magnet to foreign insurers

Growth and a poor domestic service is attracting US and European investors, writes Damian Fraser

US and European investors are manoeuvring swiftly to take stakes in Mexico's fledgling insurance sector. They are drawn by a market that has been ill-served by domestic companies and is growing rapidly as the country's incomes rise and inflation stabilises.

In the past three years the US's Aetna, Metropolitan Life, New York Life Insurance Company, and Principal Financial Group, Grupos Santander of Spain, and Commercial Union of the UK, among others, have taken up to the maximum permitted 49 per cent stake in Mexican insurance companies.

In all, some 13 foreign insurers are minority owners of Mexican insurance companies. Assemex, the insurance group recently privatised for \$682m, is looking for a foreign partner, according to Mr Angel Rodriguez, the new company president. The insurance company and Mr Rodriguez's financial group, Mexival-Santitas, then plan to make a public offering on the New York Stock Exchange.

Foreign insurers hope to bring to their Mexican counterparts capital, technology, and global distribution. The Mexicans, meanwhile, will contribute knowledge of the local market. Foreign companies generally have better distribution systems, financial man-

agement and product development skills than Mexican insurers, says Mr Bill Poorvillet, executive vice-president of Metropolitan Life.

But is there sufficient room for all the foreign companies? While profit margins are high, many Mexican insurers have high costs, and may be unprepared for competition.

"We expect some consolidation," says Mr Poorvillet, whose company joined last year with Santander to take a 49 per cent stake in Genesis, a new Mexican life insurance company. "Not every company is going to be a winner."

The North American Free Trade Agreement will intensify competition by fully opening up the sector to US and Canadian insurance companies. Under the treaty, US or Canadian companies with at least 10 per cent of shares in a Mexican insurance company can increase their holdings to 100 per cent by 1998. Other companies will have to wait until the year 2000. Mexico's foreign investment law will permit up to 49 per cent investment in Mexican insurers for non-US and Canadian companies.

There are also doubts as to whether foreigners are prepared for doing business in Mexico, and ready to join forces with Mexican partners.

Foreign Partner	Mexican Partner	Transaction
Aetna Life Insurance	Seguros Monterrey	Participate in fast-growing Mexican market, joint venture, 30% stake
Chubb	Grupo Maritima	Greenfield investment to follow customers to Mexico, 30% stake in Equitativa
Reliance Group	Proteccion Mutua	Bought 30% stake in Proteccion Mutua
Commercial Union	Seguros La Republica	Built domestic Mexican presence, 44.3% stake
Cigna	Seguros Progreso	Purchased 49% to write domestic business
New York Life	Orinoco	Purchased 50% stake in Orinoco to participate in the Mexican life business
Metropolitan Life/Santander	Genesis	Santander sold half of its 49% participation to Met Life
Liberty Mutual	Nacional Provincial	Strategic alliance, Liberty provides loss prevention services
General	Anglomex	Holds 49% stake
Maple	Seguros Tapayac	Holds 49% stake
Zurich International	Seguros Chapultepec	Holds 30% interest
A.G.F.	Aseguradora Territorial	Holds 52.5% stake
Adelphia	Aseguradora Cuauhtemoc	Holds 20% stake
N.Y. Life	Colmena	

Source: J.P. Morgan

Commercial Union, the UK insurer, this year wrote off its 44.3 per cent stake in Seguros La Republica after several executives defected to the company, and the UK insurer refused to inject more capital.

CU complained at the time that regulation in Mexico's insurance industry was insufficiently advanced, and warned other companies to pick their partners with caution, and conduct extensive due diligence.

while insurance premiums account for just 1.5 per cent of Mexico's GDP, against 3 per cent in Chile, and 8.8 per cent in the US.

Investors tend to dismiss cultural explanations - such as Mexicans' tolerance of risk and a somewhat fatalistic attitude to death - for such low insurance penetration. Instead, they blame Mexico's economic crisis in the 1980s.

Mexico's wages fell 40 per cent between 1982 and 1990, leaving little money for insurance policies. Inflation was high throughout the decade, playing havoc with calculations of the future value of life insurance coverage, and reducing the incentive to save through such schemes.

Insurance companies are now convinced the conditions are present for a sharp increase in the market. Mexico's inflation is down to single digits; incomes have been steadily rising, and the savings rate is picking up.

tries; only 2 per cent of Mexicans own a life insurance policy. However, the sector is now growing fast, posting an average 28 per cent a year gain in dollar terms since 1987.

The government's new state-sponsored individual pension scheme should increase savings, and further boost the life industry. Mr Palden Nangyal, vice-president of JP Morgan, which has advised on several insurance transactions in Mexico, reckons that life insurance companies will play an important part in managing savings generated by the retirement scheme.

The extension of credit - for the first time in a decade - is having a beneficial impact, by increasing the number of first-time car and house owners, and generating demand for car and property insurance. Banks in Mexico generally demand insurance policies as a condition for lending money.

The question hanging over the new insurance companies is whether they and their partners are the best equipped to meet the explosive demand all participants predict.

Mexico's growing financial and industrial integration with the US is likely to ensure that profit margins in the industry eventually fall to levels in the US, and that, over the long term, only the most efficient companies will survive.

## Noranda reduces forestry stake

By Bernard Simon in Toronto

Noranda, the resources group controlled by Toronto's Brumfman family, is further reducing its exposure to the forest products sector by cutting its stake in Noranda Forest, its pulp and paper subsidiary.

Noranda is to sell 12m of its Noranda Forest shares to a group of underwriters, which will resell them to the public at a price of Cdn2.50 each, or a total of Cdn144m (US\$110.8m). The underwriting group is led by Gordon Capital of Toronto.

The deal will reduce Noranda's equity stake in the forestry company from 83 per cent to 74 per cent.

be on the metals side," Noranda said yesterday. Mr Jonathan Challis, analyst at ScotiaMcLeod, said yesterday the stake would probably be earmarked for Falconbridge, the nickel producer 50 per cent owned by Noranda. Falconbridge is expected to exercise a pre-emptive right to increase its one-third interest in the Collahuasi copper project in Chile.

Billiton, the European metals group, has indicated its willingness to sell its one-third stake in Collahuasi. The remaining one-third is held by Minorco, the South African-controlled mining group.

Noranda said funds were also required for the Louvicourt copper mine, currently under construction in Quebec. The company is also considering an entry into

magnesium production.

Noranda and its subsidiaries have spun off several assets in an effort to bolster cash-flow without taking on new debt. Slogging metal and forest products prices have created a shortfall in recent years between cash from operations and financing requirements for capital projects and dividends.

Earlier this year, Noranda Forest sold its controlling interest in Macmillan Bloedel, the west coast forest products group. It has also sold its stake in a British Columbia paper mill.

However, Mr Challis said he expected a marked improvement in Noranda's cash-flows over the next year, thanks to the recent strength of natural gas prices and brighter prospects in some other commodity markets.

## India begins bank sale with public offering

THE State Bank of India, the country's largest bank, is to launch a Rs22.4bn (\$713m) equity and bond flotation on December 15 as a first step to its privatisation, writes R.C. Murthy in Bombay.

Mr D. Basu, chairman, says a Rs12.4bn share issue will reduce the state's stake to around 65 per cent from 98.3 per cent. The bank will also offer floating-rate bonds worth Rs10bn.

The shares will be offered at Rs100, against the market price of Rs240, and foreign institutions will be given an opportunity to buy into the bank.

## Magna expands auto parts side in Europe

Canada's Magna International is expanding its European automotive parts interests with an agreement to buy a 74 per cent stake in Zipperle, a German-based maker of mirrors, from Porsche Austria.

The Zipperle acquisition is part of a strategy by Magna to focus closer links with European carmakers, partly with an eye to supplying new North American assembly plants being built by BMW and Mercedes-Benz.

Magna, which declined to provide details of the deal, said it would work with Porsche to expand Zipperle's business. Zipperle has annual sales of about C\$150m (US\$115.4m). The Canadian company

already has interests in several European parts factories. It recently bought a 12.5 per cent stake in Kolbenschmidt of Germany, as well as a controlling stake in a Kolbenschmidt unit which makes airbrakes and steering wheels.

The company is also keen to expand exchanges of know-how between its North American and European operations. Several of the senior managers have European roots.

Air Canada and rival Canadian Airlines have called in Mr Stanley Hart, a lawyer, to mediate in their dispute over ownership of the Gemini computer reservations system. Air Canada has been blocking Canadian Air's departure from the system through the courts.

## National Westminster Bank

Incorporated in England with limited liability

USD 500,000,000 Primary Capital FRNs (Series "C")

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest period from November 30, 1993 to February 28, 1994 the Notes will carry an interest rate of 3.625% per annum.

The interest payable on the relevant interest payment date, February 28, 1994, against coupon No. 33, will amount to USD 90.63 for Notes of USD 10,000 nominal and USD 906.25 for Notes of USD 100,000 nominal.

The Agent Bank  
Kreditbank S.A. Luxembourg

## Den norske Bank

Primary Capital Perpetual Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from November 30, 1993 to February 28, 1994 the Notes will carry an interest rate of 3.75% p.a. and the Coupon Amount per U.S.\$10,000 will be U.S.\$93.75.

November 30, 1993, London  
By Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

## U.S. \$50,000,000

CRÉDIT D'ÉQUIPEMENT  
DES PETITES ET MOYENNES ENTREPRISES

Undated Subordinated Step-Up Floating Rate Notes

For the interest period from November 30, 1993 to May 31, 1994 the rate has been determined at 4.75% per annum. The amount payable on May 31, 1994 per U.S. \$10,000 principal amount of Notes will be U.S. \$240.14.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank

CHASE

## CREDIT COMMERCIAL DE FRANCE

FRF 600,000,000 REVERSE FLOATER BONDS DUE 1997

For the period November 28, 1993 to May 26, 1994 the new rate has been fixed at 10.3987081% p.a. Next payment date: May 26, 1994

Coupon m-2 Amount: FRF 519.94 for the denomination of FRF 10,000

FRF 519.35 for the denomination of FRF 100,000

FRF 51,933.54 for the denomination of FRF 1,000,000

THE PRINCIPAL PAYING AGENT  
SOCIÉTÉ GÉNÉRALE  
GROUP  
15, Av. L. Reuter  
LUXEMBOURG

Notice to the Holders of

ENTE NAZIONALE PER L'ENERGIA ELETTRICA (ENEL)

Italian Lira 400 Billion Floating Rate Notes Due 1999

Coupon No. 9 for the period November 29, 1993 to May 30, 1994 will be payable starting May 30, 1994 at the rate of 6.35%

ITL 211,069/- per note of ITL 5,000,000

Nominal ITL 2,110,694/- per note of ITL 50,000,000 Nominal

November 26, 1993  
SANPAOLO-ARIANO BANK S.A.  
Luxembourg  
Agent Bank

## U.S. \$50,000,000



AUSTRIA

Raiffeisen Zentralbank  
Österreich Aktiengesellschaft

Floating Rate Subordinated Notes Due 1996

Interest Rate 5 1/4% per annum

Interest Period 30th November 1993  
31st May 1994

Interest Amount per U.S. \$5,000 Note due 31st May 1994 U.S. \$132.71

CS FIRST BOSTON Agent

## U.S. \$100,000,000

First Bank System, Inc.

Floating Rate Subordinated Capital Notes Due 1997

Interest Rate 5 1/4% per annum

Interest Period 30th November 1993  
28th February 1994

Interest Amount per U.S. \$50,000 Note due 28th February 1994 U.S. \$656.25

CS FIRST BOSTON Agent



European Investment Bank

Yen 35,000,000,000 Floating rate notes due 2008

Notice is hereby given that the notes will bear interest at 1.99063% per annum from 30 November 1993 to 31 May 1994. Interest payable on 31 May 1994 will amount to Yen 503,187 per Yen 50,000,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

First Bank System, Inc.

US\$200,000,000 Subordinated floating rate notes due 2010

Notice is hereby given that for the interest period 30 November 1993 to 28 February 1994 the notes will carry an interest rate of 5.25% per annum and that the interest payable on the relevant interest payment date 28 February 1994 will amount to US\$131.25 per US\$10,000 note and US\$3,281.25 per US\$200,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

## MERCURY SELECTED TRUST (SICAV)

Registered Office: 14, rue Léon Teyssie, L-2636 Luxembourg

R.C. Luxembourg B. 6317

NOTICE TO SHAREHOLDERS

The adjourned second Extraordinary General Meeting of Shareholders of Mercury Selected Trust (the Company) was held on 19th November, 1993 and the Resolution to adopt new Articles of Association was passed. The new Articles of Association became effective on 30th November, 1993.

The following new Funds have now been added to the existing range of Mercury Selected Trust Funds:

Swiss Franc Global Bond Fund  
Emerging Markets Fund  
DM Reserve Fund

From 30th November, 1993 Bearer Shares will only be issued for the Belgian Franc Global Bond Fund. Listing on the Luxembourg Stock Exchange will continue for those Shares and for all previously issued Bearer Shares.

Copies of the Company's new Prospectus (which includes further details on the new Funds) are available from the following:

U.K. DISTRIBUTOR: Mercury Investment Services Ltd., 33 King William Street, London EC4R 9AS  
ADMINISTRATOR: S.G. Warburg Asset Management, Luxembourg S.A., 14, rue Léon Teyssie, L-2636 Luxembourg

Telephone: (071) 280 2821  
Telephone: (352) 421 2111

30th November, 1993 The Board of Directors

## U.S. \$100,000,000



Allied Irish Banks plc

Undated Floating Rate Notes Subordinated as to payment of principal and interest

Interest Rate 5 1/4% per annum

Interest Period 29th November 1993  
31st May 1994

Interest Amount per U.S. \$10,000 Note due 31st May 1994 U.S. \$266.88

CS FIRST BOSTON Agent

## U.S. \$100,000,000

Robert Fleming Netherlands B.V.

Primary Capital Undated Guaranteed Floating Rate Notes

guaranteed by Robert Fleming Holdings Limited

Interest Rate 4% per annum

Interest Period 30th November 1993  
31st May 1994

Interest Amount due 31st May 1994 per U.S. \$10,000 Note U.S. \$ 202.22

per U.S. \$50,000 Note U.S. \$1,011.10

CS FIRST BOSTON Agent

TSB Hill Samuel Bank Holding Company plc (Formerly Hill Samuel Group plc)

US\$75,000,000 Floating rate subordinated notes

For the period from 30 November 1993 to 31 May 1994 the notes will carry a rate of interest of 5.25% per annum. Interest payable on 31 May 1994 will amount to US\$266.42 per US\$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Wells Fargo &amp; Company

US\$200,000,000 Floating rate subordinated notes due 2000

The notes will bear interest at 5.25% per annum for the interest period 30 November 1993 to 31 December 1993. Interest payable on 31 December 1993 will amount to US\$266.42 per US\$10,000 note and US\$2,664.20 per US\$200,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

## U.S. \$125,000,000

BANK OF BOSTON CORPORATION

Floating Rate Subordinated Notes Due 1998

Issued 26th August 1993

Interest Rate 3.55% per annum

Interest Period 30th November 1993  
28th February 1994

Interest Amount per U.S. \$50,000 Note due 28th February 1994 U.S. \$443.75

CS FIRST BOSTON Agent

## U.S. \$300,000,000

Woodside Financial Services Ltd.

Guaranteed Floating Rate Notes due February 1997

Unconditionally Guaranteed by The Industrial Bank of Japan, Ltd.

In accordance with the Terms and Conditions of the Notes, notice is hereby given, that for the interest period from November 30, 1993 to February 28, 1994 the Notes will carry an interest rate of 5 1/4% per annum. The amount payable on February 28, 1994 will be U.S. \$2,281.25 and U.S. \$11,406.25 respectively for Notes in denominations of U.S. \$50,000 and U.S. \$10,000.

By: The Chase Manhattan Bank, N.A.  
London, Agent Bank

November 30, 1993

CHASE

## YOKOHAMA ASIA LIMITED

(Incorporated in Hong Kong)

U.S. \$100,000,000 GUARANTEED FLOATING RATE NOTES DUE 1997

Unconditionally and irrevocably guaranteed by THE BANK OF YOKOHAMA, LTD. (Incorporated in Japan)

Notice is hereby given that the Rate of Interest for the initial interest period has been fixed at 3.75% per annum and that the interest payable on the relevant interest payment date February 28, 1994 against Coupon No. 34 in respect of US\$10,000 nominal of the Notes will be US\$93.75 and in respect of US\$250,000 nominal of the notes will be US\$2,343.75.

November 30, 1993, London  
By Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK



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## INTERNATIONAL COMPANIES AND FINANCE

## New head of finance appointed at Qantas

By Nikki Tait in Sydney

Qantas, the government-controlled Australian airline in which British Airways holds a minority stake, yesterday announced that Mr Gary Toomey had been appointed chief financial officer with effect from December 1.

He will also be appointed a director, filling one of two vacant positions on the board, where British Airways holds three seats.

Mr Toomey's appointment follows the departure of Mr Graham Jones, former finance director, who resigned in September after only 11 months with Qantas.

According to industry sources, Mr Jones "felt he could not make the required commitment to Qantas to stay on for a further three to five years, encompassing the float and consequent bedding-down process".

The government plans to sell its remaining holding in Qantas, although this step has now been pushed back to 1995.

Mr Toomey's appointment is the latest in a series of senior management changes at Qantas. It means that all three top executive positions are now held by people previously connected with Australian Airlines, the large domestic carrier which merged with Qantas last year.

Mr Toomey was chief financial executive of Australian from 1987 to 1992, when he moved to become chief financial officer of Arncliffe, the food group. Aged 38, he is an accountant by training, having worked in the 1970s for Peat Marwick Mitchell and Parkhill, Lithgow and Gibson.

Indocement falls to Rp231.9bn

Indocement, Indonesia's dominant cement producer and largest listed company, yesterday reported net profits of Rp231.9bn (\$10m) for the nine months to end-September, compared with Rp233.3bn a year ago, writes *Our Financial Staff*.

## Slow progress towards recovery

Nikki Tait assesses a mixed series of results from Australia's banks

It has been a mixed results season for the Australian banking sector. Red ink has been conspicuous by its absence, a sharp and welcome contrast to the situation a year ago. Interest spreads have generally improved and the benefits of cost-cutting are starting to show.

But the earnings reports have failed to answer questions about the pace at which asset quality is improving, especially on the property front, or about the lacklustre state of the business credit market.

Among the three big banks with September year-ends, National Australia Bank (NAB) and Australia and New Zealand Banking Corporation (ANZ) both did better than many industry analysts had predicted.

NAB's results were especially glowing, with profits bounding over the A\$1bn (US\$633m) barrier. This puts the Melbourne-based institution in a select class of Australian companies; in the past, only Broken Hill Proprietary, the steel and resource group, has qualified as a billion-dollar earner.

Conversely, Westpac disappointed. Restructuring costs featured far more prominently than at ANZ or NAB, and led to a A\$25.5m charge for abnormal items. After taking account of that, the bank was left with a slender net profit of A\$38.2m.

The nation's smaller institutions, meanwhile, turned in creditable performances for the most part - or at least produced few unpleasant surprises. On the plus side, all three big banks could boast an improvement in asset quality and a decline in bad debt provisions, although in some cases the picture is still far from pretty.

At NAB, gross non-accrual loans fell from A\$3.36bn to A\$3.15bn, while the charge to profit for doubtful debts was cut by a third to A\$64.2m. At

property market would be particularly important. Here, the prognosis is equivocal. Most lenders and agents report some upturn in sales activity. But they warn that the improvement is patchy, both by area and type of property; that some of the larger markets are still heavily oversupplied; and that prices are only just stabilising.

One analyst also points out that the big banks have generally found it easier to offload relatively small property-related assets, and that large blocks of their portfolios

that everyone is eyeing the same opportunity, and mortgage price competition is intense. Demand for business credit, by contrast, remains muted and corporate investment levels are extremely weak. The business community continues to give priority to further rationalisation of operations and achievement of efficiency improvements. Total business credit actually contracted over the past 12 months.

Mr John Gough, chairman of ANZ, Macquarie Bank, a more specialised institution, said that "in lending to the top end of the corporate sector, margins are being cut to the bone".

Inevitably, as the banks have concentrated on riding out the recession, cutting costs and resolving past problems, they have been inward-looking. Only NAB is thought to be in a position to consider significant expansionary moves. Here, there has been speculation that the bank may add a US operation to the clutch of interests owned in the UK, Ireland and New Zealand.

"I think an acquisition is very live and, internally, they're quite keen," says Mr Craig Fulton, analyst at Pru-Bache. The caveat, he adds, is whether opportunities in the US have become less attractive following the recent wave of consolidations there, and the emergence of the "super-regionals".

## NEWS IN BRIEF

## Honda and Mitsubishi in parts pact

In a sign of the cost-cutting pressure on Japanese car makers, Honda and Mitsubishi said it would sell an important component for the first time to a rival domestic carmaker, Mitsubishi Motors, AP-JP reports from Tokyo.

Spokesmen for both companies said Honda would sell drivetrains for use in front-wheel-drive cars to Mitsubishi.

The purchase marks another shift in the traditional Japanese car industry practice of purchasing supplies mainly from companies in the same "keiretsu", or industrial grouping.

## Chinese group to raise HK\$262m

Shenzhen China Bicycle is launching a rights issue of 32.34m B shares to raise HK\$262m (US\$34m). Reuters reports from Hong Kong.

The group is offering one rights share at HK\$8.10 a share for every five B shares, which are aimed at foreign investors. It also plans a rights issue of 11m domestically-held A shares to raise HK\$12m (US\$1.5m).

Net proceeds from both issues, underwritten by Standard Chartered Asia, will be used to finance business in China.

## Gencor chief cool on prospects for Billiton deal

By Kenneth Gooding, Mining Correspondent

A decision about the deal that would transform Gencor, the South African resources group, into one of the world's biggest international mining and metals businesses, will be made before the end of the year, but there is a "less than 50 per cent chance" that it will go ahead, according to the group's chairman, Mr Brian Gilbertson.

Gencor announced in May that it wanted to buy most of Billiton, the mining and metals operations within the Royal Dutch/Shell group - assets with a book value of \$1.8bn. Mr Gilbertson makes clear that the price being asked is the key issue. He says: "It is not in our interest to buy assets that are fully

valued. We have to buy assets to which we can add value. Billiton has to offer us a good return."

Billiton is heavily involved in the aluminium industry and Mr Gilbertson says that negotiations have been complicated by the fact that a view has to be taken about aluminium prices, which are close to their all-time low in real terms.

Gencor's 40 per cent-owned Alusaf associate is spending \$2bn to build a 450,000-tonnes-a-year aluminium smelter in Richards Bay, South Africa. If this could be combined with Billiton's upstream operations, which produce bauxite and alumina (the raw materials for aluminium), a world-class business would emerge, ranking about fifth in the western world.

Mr Gilbertson is enthusiastic about prospects for aluminium - he suggests the underlying annual growth in demand is between 2 per cent and 3 per cent. "Remember the aluminium business is bigger than gold and to have a big stake in a business like that is attractive. And our best judgment is that it would be a very cost-competitive business, particularly when the price turns up," he says. But a combination of Alusaf and Billiton would be by far the biggest part of Gencor, and it might want to take on a partner to share the risks.

It has taken longer than expected to disentangle the Billiton assets from those of other Shell companies and to carry out an extensive "due diligence" survey, reports on which are now being

drawn up. But Gencor has also used the time to sound out companies which have pre-emptive rights to some of Billiton's most desirable assets. Mr Gilbertson says that this will stop the pre-emptive process being long and drawn out. He expects some pre-emption - analysts suggest Minarco is likely to take up the rights to the Collahuasi copper project in Chile - but says this would not kill the deal with Shell.

Mr Gilbertson, on his annual visit to London to meet UK investors, says that if the Billiton deal fell through it would be a big setback to Gencor's international ambitions. But Gencor is regularly offered mining and metals investment opportunities, and has net cash of more than \$500m (\$148.5m), should the right one present itself.

**NOTICE OF REDEMPTION**  
The Industrial Bank of Japan Finance Company N.V.  
\$30,000,000 11 5/8% Convertible Bonds Due 1995  
guaranteed by The Industrial Bank of Japan, Limited  
(the "Bonds")

NOTICE IS HEREBY GIVEN that, pursuant to Condition 5(a) of the Bonds, The Industrial Bank of Japan Finance Company N.V. (the "Company") will redeem \$4,500,000 principal amount of the Bonds on 31st December, 1993 at the redemption price of 100% of their principal amount.

The total amount of the \$4,500,000 principal amount of the Bonds drawn for redemption in accordance with Condition 5(a) of the Bonds are as follows:

Serial Number	Principal Amount (\$)	Interest Amount (\$)	Total Amount (\$)
1	100,000	1,125	101,125
2	100,000	1,125	101,125
3	100,000	1,125	101,125
4	100,000	1,125	101,125
5	100,000	1,125	101,125
6	100,000	1,125	101,125
7	100,000	1,125	101,125
8	100,000	1,125	101,125
9	100,000	1,125	101,125
10	100,000	1,125	101,125
11	100,000	1,125	101,125
12	100,000	1,125	101,125
13	100,000	1,125	101,125
14	100,000	1,125	101,125
15	100,000	1,125	101,125
16	100,000	1,125	101,125
17	100,000	1,125	101,125
18	100,000	1,125	101,125
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42	100,000	1,125	101,125
43	100,000	1,125	101,125
44	100,000	1,125	101,125
45	100,000	1,125	101,125
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77	100,000	1,125	101,125
78	100,000	1,125	101,125
79	100,000	1,125	101,125
80	100,000	1,125	101,125
81	100,000	1,125	101,125
82	100,000	1,125	101,125
83	100,000	1,125	101,125
84	100,000	1,125	101,125
85	100,000	1,125	101,125
86	100,000	1,125	101,125
87	100,000	1,125	101,125
88	100,000	1,125	101,125
89	100,000	1,125	101,125
90	100,000	1,125	101,125
91	100,000	1,125	101,125
92	100,000	1,125	101,125
93	100,000	1,125	101,125
94	100,000	1,125	101,125
95	100,000	1,125	101,125
96	100,000	1,125	101,125
97	100,000	1,125	101,125
98	100,000	1,125	101,125
99	100,000	1,125	101,125
100	100,000	1,125	101,125

Payment of the redemption price will be made against surrender of the Bonds in the manner provided in the Conditions of the Bonds at any of the following paying agents:

The Industrial Bank of Japan Trust Company  
1 Bank Street, New York, NY 10004  
(for payment of principal only)

The Industrial Bank of Japan, Limited  
Bankers House, One Friday St., London EC4A 3DF  
(for payment of interest only)

The Industrial Bank of Japan (Luxembourg) S.A.  
6 rue Jean Monnet  
L-1015 Luxembourg  
S.P. 68, L-1015 Luxembourg  
Industriehaus von Japan (Deutschland) A.G.  
Postfach 15-19  
6000 Frankfurt/Main, Federal Republic of Germany

Morgan Guaranty Trust Company of New York  
America House, 25, Broad Street, New York, NY 10004  
Morgan Guaranty Trust Company of New York  
14 Place Vendôme, 75001 Paris

Swiss Bank Corporation  
Lehnengasse 47, 4002 Basel, Switzerland

All Bonds to be redeemed should be presented for payment together with all receipt certificates, if any, and the Bonds to be redeemed should be presented to the paying agent in the manner provided in the Conditions of the Bonds, and the Bonds to be redeemed should be presented to the paying agent in the manner provided in the Conditions of the Bonds, and the Bonds to be redeemed should be presented to the paying agent in the manner provided in the Conditions of the Bonds.

THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY  
as Paying Agent

Dated: November 30, 1993

**CITICORP**

U.S.\$350,000,000  
Subordinated Floating Rate Notes Due November 27, 2005  
Notice is hereby given that the Rate of Interest has been fixed at 5% in respect of the Original Notes and 5.0875% in respect of the Interest Payment Date December 31, 1993 against Coupon No. 97 in respect of US\$10,000 nominal of the Notes will be US\$43.06 in respect of the Original Notes and US\$43.01 in respect of the Enhancement Notes.

U.S.\$500,000,000  
Subordinated Floating Rate Notes Due October 25, 2006  
Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date December 31, 1993 against Coupon No. 98 in respect of US\$10,000 nominal of the Notes will be US\$43.06.

U.S.\$500,000,000  
Subordinated Floating Rate Notes Due January 30, 1998  
Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date December 31, 1993 against Coupon No. 95 in respect of US\$10,000 nominal of the Notes will be US\$43.06.

U.S.\$350,000,000  
Subordinated Floating Rate Notes Due August 14, 2011  
Notice is hereby given that the Rate of Interest has been fixed at 3.625% and that the interest payable on the relevant Interest Payment Date February 28, 1994 against Coupon No. 30 in respect of US\$10,000 nominal of the Notes will be US\$20.63 and in respect of US\$250,000 nominal of the Notes will be US\$22.63.

U.S.\$500,000,000  
Subordinated Floating Rate Notes Due May 29, 1998  
Notice is hereby given that the Rate of Interest has been fixed at 3.625% and that the interest payable on the relevant Interest Payment Date February 28, 1994 against Coupon No. 31 in respect of US\$10,000 nominal of the Notes will be US\$20.63, and in respect of US\$250,000 nominal of the Notes will be US\$22.63.

November 30, 1993  
By: Citicorp, N.A. (Issuer Services), Agent Bank **CITIBANK**

**Miwon Co., Ltd.**  
(Incorporated in the Republic of Korea with limited liability)

**NOTICE**  
to the holders of the outstanding  
U.S.\$30,000,000  
1 1/2% per cent Convertible  
Bonds Due 2005  
of  
Miwon Co., Ltd.  
(the "Bonds") and the  
"Company" respectively

Notice is hereby given to the holders of the Bonds that the Company has issued to the holders of its common stock and its preferred stock rights to subscribe for up to 1,824,000 shares of common stock of the Company. Such rights were issued on 26th October 1993. The record date for such grant to the holders of its common stock and preferred stock will be 27th November 1993 and such rights will be exercisable from 27th December 1993 to 28th December 1993.

A further Notice will be given to the holders of the Bonds of any resulting adjustment to the Conversion Price in relation to the Bonds.

By: Bankers Trust Company, London Agent Bank  
15th November 1993

**Electricité de France**

U.S.\$150,000,000  
Floating Rate Notes due 2002  
In accordance with the provisions of the Notice, notice is hereby given that the Rate of Interest for the six month period ending 31st May, 1994 has been fixed at 5.125% per annum. The interest accruing for such six month period will be U.S.\$28.06 per U.S.\$100,000 nominal of the Notes, and U.S.\$26.52 per U.S.\$100,000 nominal of the Notes on 31st May, 1994 against presentation of Coupon No. 3.

United Bank of Switzerland  
London Branch Agent Bank  
25th November 1993

**Internationale Nederlanden Bank N.V.**  
Established in Amsterdam

U.S.\$100,000,000  
Subordinated Floating Rate Notes due 2003

For the interest period 29th November, 1993 to 27th May, 1994 the Notes will carry an interest rate of 5.1875% per annum, the interest amount payable per U.S.\$100,000 nominal will be U.S.\$25.79, and for the U.S.\$10,000 Note will be U.S.\$2.579, and for the U.S.\$250,000 Note will be U.S.\$6,449.35, payable on 27th May, 1994.

United Bank of Switzerland  
London Branch Agent Bank  
25th November 1993

This announcement appears as a matter of record only.

**\$32,000,000**  
Oilfield Equipment Credit

**TECHNOLOGY VENTURES LTD.**  
As Borrower  
Provided by  
**TOKOBANK**  
Moscow  
with  
PRODUCTION ASSOCIATION  
**NIZHNEVARTOVSK-NEFTGAZ**  
Nizhnevartovsk  
As Guarantor

**SOVLINK-AMERICAN CORPORATION**  
New York and Moscow  
Served as Financial Advisor to the Borrower to Structure and Arrange the Financing

October, 1993

**Balances budgets. (And minds.)**

If doing the company budget drives you mad, you should invest in Commander Budget from Comshare.

Its built-in budgeting intelligence gives you everything you need for balanced top-down and bottom-up budgeting. For further information and a list of forthcoming seminars call, Chris King on 071 351 4399.

**COMSHARE**  
Comshare Limited, 22 Chelsea Manor Street, London SW3 5RL. Telephone 071 351 4399 Facsimile 071 351 4344

**The Tokyo-Mitsubishi Bank, Limited**

Subordinated Floating Rate Notes Due 2000

Interest Rate 3.875%  
Interest Period 23rd November 1993 to 23rd November 1994

Interest Accrual due 23rd November 1994  
U.S.\$ 10,000,000 U.S.\$ 387.50  
U.S.\$ 100,000,000 U.S.\$ 3,875.00

By: Citicorp, N.A. (Issuer Services), Agent Bank  
November 30, 1993

**New Zealand**  
£200,000,000  
Floating Rate Notes 1997

In accordance with the provisions of the Notice, notice is hereby given that, for the three month period 16th November, 1993 to 28th February, 1994 the Notes will bear interest at the rate of 5 1/8% per annum. Coupon No. 34 will therefore be payable on 28th February, 1994 at £700.17 per coupon from Notes of £50,000 nominal and £70.02 per coupon from Notes of £5,000 nominal.

**S.G. Warburg & Co. Ltd.**  
Agent Bank

**Italian Lire 100,000,000,000**

**CREDIOP S.p.A.**  
CREDITO PER LE IMPRESE E LE OPERE PUBBLICHE SOCIETA PER AZIONI  
Floating Rate Notes Due 2001

In accordance with the provisions of the Notice, notice is hereby given that for the interest period from November 30, 1993 to May 31, 1994 the Notes will carry an interest rate of 8.15% per annum. The amount of interest payable on May 31, 1994 will be Italian Lire 40,638,366 per Italian Lire 1,000,000,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.  
London Agent Bank

November 30, 1993

Handwritten note: 27/11/93 15:50



## INTERNATIONAL CAPITAL MARKETS

## Long gilts climb as traders digest falling oil prices

By Corinne Middlemass  
and Patrick Harverson  
in New York

European government bonds were little changed in the trade ahead of today's UK Budget and the Bank of England's announcement of its latest round of securities repurchase agreements.

UK gilts had a mixed day as traders prepared for today's Budget and the Bank of England's announcement of its latest round of securities repurchase agreements.

"This is a further factor

indicating that inflationary pressures will stay subdued through 1994," said Mr Chris Anthony, gilts analyst at UBS.

## GOVERNMENT BONDS

England will announce the terms and amount of the auction at 3.30pm today. Most dealers are betting on another \$200-\$250m of the 6% per cent gilts due 2004.

"That would add liquidity to the issue, which should become next year's 10-year benchmark," said one gilts trader.

The long gilt futures price ended at 116 1/2, up 1/2 point.

German government bonds erased their early gains and broadly unchanged on the day. The December bund contract on Liffe closed at 99.97, up 0.05 point from Friday but off its intra-day high at 100.17.

Prices were underpinned early by firmness in the US Treasury market, but late profit-taking in the futures pits dragged bonds lower into the close.

Following the Bundesbank's fixed-rate repo at 6.25 per cent last week, some dealers expect another fixed-rate repo at the same rate today to dampen ahead of Thursday's council meeting as a variable-rate tender might tempt banks to test for a lower repo rate.

However, others argued that recent tight money conditions, which necessitated

the injection of extra liquidity via two-day repos yesterday, might mean the repo rate would remain close to 6.25 per cent even if bidding was at variable rates.

The rally in longer-dated US Treasury securities continued yesterday morning, as further declines in oil prices offset fresh evidence of a stronger economy.

By midday, the benchmark 30-year government bond was up 1/4 at 100 1/4, yielding 6.189 per cent. At the short end of the market, the two-year note was unchanged at 100 1/4, to yield 4.135 per cent.

Prices firmed from the start at the long end of the market, thanks to another big decline in oil prices.

They have been falling since last week, when Opec failed to reach an agreement on produc-

tion cuts. This, and along with declines in other commodities, have helped spark a much-needed rally in bonds.

If it were not for falling oil prices, the market probably would have reacted badly to yesterday's news that existing home sales rose 3.6 per cent in October, a stronger-than-expected reading from the housing market.

French bonds outperformed bonds in quiet trading, boosted by the continuing appreciation of the franc, which hit its highest level against the D-Mark since the August 2 revamp of Europe's exchange rate mechanism.

Despite the franc's strength, the Bank of France left its 6.45 per cent intervention rate unchanged at its latest repo operation, and is expected to refrain from easing key

interest rates until the Bundesbank moves again.

Japanese government bonds posted more gains following yet another slide in stock prices. The March JGB contract rose 0.22 point to 115.12.

Sentiment was slightly dampened by supply worries ahead of today's JGB auction, and fears that some banks may offload bond positions ahead of the year end to make up for losses incurred in the stock market.

However, in the longer term, "the outlook is still very bullish for Japanese bonds," said Mr Stuart Thomson, senior economist with Nikko Europe.

He expects the yield on the benchmark bond to fall to 2.75 per cent by next June from some 3.45 per cent currently.

## Budget watchers await lead from PSBR forecast

By Sara Webb

When Mr Kenneth Clarke, UK chancellor of the exchequer, stands up to deliver his Budget speech this afternoon, the UK government bond market will be waiting to see if he lowers the government's previous forecasts for the public sector borrowing requirement (PSBR) for 1993-94 and the following year, thereby reducing the amount of borrowing needed in the gilt market.

By most estimates, the Bank of England is ahead of schedule with the funding programme. Back in the March Budget, Mr Norman Lamont, then chancellor, forecast a PSBR of £50bn (\$74.5bn) for 1993-94. Eight months into the financial year, the Bank has completed about £43bn of gilt funding. This calculation takes into account the second and third instalments of partly-paid stocks issued in the previous financial year (1992-93), but does not include last year's overfunding, estimated by some City institutional economists to be about £5bn.

So, on its original calculation of a £50bn PSBR, the government only has a further £7bn of gilt issuance to come, the equivalent of two or three gilt auctions.

However, according to City economists, this year's PSBR is more likely to be in the region of between £45bn and £48bn, helped by a faster-than-expected economic recovery and lower debt-servicing costs.

On that calculation, the Bank would only need one or two more auctions, perhaps supplemented with some part issues. Last Friday, the Bank said it would hold an auction on December 8, which the market expects to raise about £3bn. After that, it seems likely that the Bank will take advantage of bullish market conditions to issue partly-paid stock in January and February, with the second and third payment instalments falling in the following (1994-95) financial year.

By the same token, the Bank would not need to include the 1992-93 overfunding in this year's calculation, and may prefer to carry that over for another year, especially if conditions in the gilt market become more difficult.

Much of the funding this year has been in the five-to-10 year maturity range, where there has been strong demand from overseas investors who can borrow cheaply to fund purchases of medium and long-dated gilts.

With the shift in the gilt yield curve to a positive slope after sterling's exit from the European exchange rate mechanism paved the way for more dramatic cuts in the base rate, some economists point out that the Bank should have issued more stock at the short end as a means of reducing the government's borrowing costs.

## Hungarian bank steals limelight with DM1bn offering

By Antonio Sampaio

The National Bank of Hungary had the stage to itself yesterday when it raised DM1bn through an offering of 10-year Eurobonds, its third DM1bn Eurobond issue this year.

The bonds, via Commerzbank, were priced to yield 223 basis points over the German government's 6 per cent bund due 2003, broadly in line with the spread in the secondary market on Hungary's DM1bn issue of 10-year Eurobonds, launched in August.

Syndicate managers said the pricing reflected the market's improved perception of Hungary, since last year it was paying a yield spread of more than 300 basis points over bunds.

The bonds were targeted mainly at German retail investors, among whom Hungary has a wide following. However, lead manager Commerzbank

said the yield pick-up on the bonds also attracted institutional demand from the Benelux countries and the UK.

The bonds, which had a recommended re-offer price of 99.55, slipped to 98.10 bid in the late afternoon. Some traders blamed the fall on signs that the lead manager was selling the bonds below the recommended level.

Yesterday's other notable issue was a \$1.5bn offering of four-year Eurobonds from Eurofina, the Swiss-based rolling-stock financing organisation. The proceeds were swapped into floating-rate Swedish kronor.

A number of borrowers are scheduled to tap the Eurobond market before it closes down for Christmas.

The International Finance Corporation, which completed its \$200m buy-back of old Eurobonds last week at an average spread of 14 to 15 basis points over US Treasuries, is due to launch a \$500m offering of five-year Eurobonds today.

The offering, via Deutsche Bank and Mitsubishi Finance, is expected to be priced to yield between 12 and 13 basis points over US Treasuries.

Deutsche Bank's mortgage bank, is likely to raise DM1bn through an issue of 10-year Eurobonds in the next few days, via Commerzbank and Morgan Stanley.

The Bank of Greece is expected to raise \$500m through an issue of five-year floating rate notes later this week, via CIBF and Salomon Brothers. The notes are likely to yield between 110 and 115 basis points over Libor.

The issue could be the last by the Greek central bank, on behalf of the state. From next year, the Hellenic Republic is expected to tap the international capital markets directly.

NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount m.	Coupon %	Price	Maturity	Yield %	Spread to	Book runner		
Borrower									
EUROBOND									
Barceloneta Compania	200	10	100.00	Jan. 1995	0.20R	+13 for	Barclays Bank	UBS	
EUROBOND									
D-MARKS									
National Bank of Hungary	1bn	8.00	101.80	Jan. 2004	3.50	-	Commerzbank		
YEN									
NTT Data Comm. Systems	100m	3.30	100.00	Mar. 1999	0.30R	-	Full Int. Finance		
GUILLERMO									
Deutsche Finance (Miet)	400	6.00	100.35R	Jan. 2004	0.25R	+17.45 (100)	Deutsche Bank of Bay		
AUSTRALIAN DOLLARS									
State Bank of South Australia	100	6.50	100.10	Jan. 1999	2.00	-	Hermes Bank		
EUROBOND									
European Investment Bank	100m	8.875	100.50	Dec. 1998	1.625	-	EPSON/ Banco Totta		

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. Affiliated rates are shown at the re-offer level. Coupon pays 5 months Libor + 0.25%, 10 months 100% of the interpolated yield curve. 1/2 Short 1st coupon.

was originally expected to raise \$500m, but the amount could be raised to \$750m due to the positive response from investors.

Shihao Vazquez (BBV) will launch Spain's first domestic issue linked to a stock

## Guide to World Currencies

The FT Guide to World Currencies, previously published on Tuesdays, will in future be published on Mondays. In yesterday's paper, it appeared on page 24 in the UK and page 21 overseas. Readers who missed out can obtain a copy by fax. To use this service, dial 0891-437 001 from your fax machine. When the FT fax service answers with an electronic tone, press the start button on your machine and hang up the handset. Calls are charged at 36p/minute, cheap rate, 48p/minute at other times. The service is available in the UK only.

## WORLD BOND PRICES

## BENCHMARK GOVERNMENT BONDS

Coupon	Rate	Price	Days' change	Yield	Week ago	Month ago
Australia	10.000	100.02	+0.02	6.74	6.85	6.41
Belgium	9.000	100.02	+0.02	6.80	6.80	7.11
Canada	7.500	120.00	+0.00	6.85	6.87	6.86
Denmark	8.000	100.00	+0.00	6.38	6.34	6.44
France	8.500	100.00	+0.00	6.30	6.08	6.11
Germany	8.000	100.00	+0.00	6.01	5.98	5.89
Italy	6.000	100.00	+0.00	5.85	5.85	5.88
Japan	5.000	100.00	+0.00	5.31	5.40	5.40
Nor 157-4	4.800	100.00	+0.00	5.45	5.50	5.85
Netherlands	8.500	100.00	+0.00	5.78	5.82	5.84
Spain	8.500	100.00	+0.00	6.51	6.44	6.44
UK Gilts	8.500	100.00	+0.00	6.07	6.15	6.31
US Treasury	8.000	100.00	+0.00	6.09	6.15	6.31
ECU (French Govt)	8.000	100.00	+0.00	6.09	6.15	6.31
London closing, New York midday						
15-day annual yield (including tax at 25% per cent payable by non-residents)						
Prices: US, UK in \$/100, others in %						

## BOND FUTURES AND OPTIONS

## France

## NATIONAL FRENCH BOND FUTURES (MATE)

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	124.24	124.34	+0.10	124.40	124.22	7,487	150,825
Mar	125.05	125.15	+0.10	125.20	125.00	82	50,004
Jun	127.52	127.62	+0.10	127.62	127.50	-	2,654

## LONG TERM FRENCH BOND OPTIONS (MATE)

Strike	Call	Put	Call	Put
125	3.50	0.04	0.23	0.08
126	2.25	0.01	0.08	0.03
127	0.75	0.01	0.01	0.01
128	0.72	0.01	0.01	0.01
129	0.28	0.01	0.01	0.01
130	0.08	0.01	0.01	0.01

Est. vol. total, Call 25,474 Puts 16,805. Previous day's open int. Call 143,000 Puts 135,000.

## Germany

## NATIONAL GERMAN BOND FUTURES (LIEFF) DM250,000 100ths of 100%

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	100.08	99.97	+0.01	100.17	99.91	98,676	119,854
Mar	100.12	100.05	+0.07	100.22	100.00	10,071	33,795
Jun	100.10	100.00	+0.10	100.10	100.10	546	944

## BUND FUTURES OPTIONS (LIEFF) DM250,000 points of 100%

Strike	Call	Put	Call	Put
100	0.84	0.15	0.79	1.15
101	0.61	0.01	0.08	0.01
102	0.43	0.01	0.01	0.01
103	0.28	0.01	0.01	0.01
104	0.08	0.01	0.01	0.01

Est. vol. total, Call 42,774 Puts 9,774. Previous day's open int. Call 117,156 Puts 69,000.

## Japan

## NATIONAL JAPANESE BOND FUTURES (LIEFF) ¥100m 100ths of 100%

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	103.01	102.94	+0.07	103.07	102.80	2,065	20,690
Mar	103.20	103.09	+0.11	103.20	103.18	892	72

## UK Gilts Prices

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	103.01	102.94	+0.07	103.07	102.80	2,065	20,690
Mar	103.20	103.09	+0.11	103.20	103.18	892	72

## Italy

## NATIONAL ITALIAN GOVT. BOND (LIEFF) Lit 200m 100ths of 100%

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	113.05	112.98	+0.07	113.10	112.87	38,047	89,861
Mar	113.48	113.38	+0.10	113.48	113.27	47,295	11,252
Jun	112.82	112.82	0.00	112.82	112.82	0	0

## ITALIAN GOVT. BOND (LIEFF) Lit 200m 100ths of 100%

Strike	Call	Put	Call	Put
112.50	2.51	3.29	1.28	2.87
113.00	2.08	3.04	2.14	3.12
113.50	1.63	2.81	2.14	3.39

Est. vol. total, Call 38,047 Puts 45,454. Previous day's open int. Call 1,088 Puts 1,088.

## Spain

## NATIONAL SPANISH BOND FUTURES (MATE)

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	102.98	102.88	+0.10	103.15	102.88	21,053	77,882
Mar	103.18	103.18	+0.00	103.25	103.10	12,336	18,295
Jun	104.00	104.00	0.00	104.00	104.00	50	50

## UK

## NATIONAL UK GILT FUTURES (LIEFF) £50,000 20ths of 100%

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	116.03	116.01	+0.02	116.08	115.93	28,614	46,396
Mar	116.10	116.10	+0.00	116.10	116.08	24,229	58,432
Jun	114.23	114.20	+0.03	114.23	114.23	2	0

## LONG TERM UK GILT FUTURES OPTIONS (LIEFF) £50,000 20ths of 100%

Strike	Call	Put	Call	Put
115	1.54	2.18	1.34	2.46
116	1.23	1.53	0.93	3.15
117	0.93	1.21	0.63	3.85

Est. vol. total, Call 41,500 Puts 17,774. Previous day's open int. Call 38,023 Puts 12,708.

## Euro

## EURO BOND FUTURES (MATE)

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	123.54	123.54	+0.14	123.58	123.50	150	10,622
Mar	116.08	115.94	+0.14	116.08	115.96	150	2,171

## US

## US TREASURY BOND FUTURES (CST) \$100,000 32nds of 100%

Dec	Open	Settle	Change	High	Low	Est. vol.	Open int.
Dec	116.04	116.00	+0.04	116.01	115.90	86,354	218,112
Mar	114.08	114.01	+0.07	114.01	113.93	12,375	65,261
Jun	112.28	112.28	0.00	112.28	112.28	37	12,829

## Japan

## NATIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIEFF) ¥100m 100ths of 100%

Dec
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## COMPANY NEWS: UK

## Keeping an eye on the ratings

Michael Smith on how the City evaluates the electricity companies

Eastern Electricity today opens the interim results season of the 12 regional electricity companies in perhaps a rather more relaxed mood than that to which it is accustomed when reporting to the City.

On previous occasions it has been among the lowest rated of the recs, but in recent months its shares have moved ahead strongly as investors have re-examined its prospects.

Three years after the regional electricity companies of England and Wales were floated, Eastern's improved fortunes highlight the way the City evaluates in a sector where each of the companies is remarkably similar.

How do analysts judge the companies, and do differentials between the various companies' share prices matter?

In most sectors the danger of a low stock market rating is that it increases the chances of a company being subjected to a hostile takeover bid. The government's ownership of a golden share in each of the 12 recs makes that less of a consideration in electricity.

Even after 1990, when the golden share expired, few analysts expect contested takeovers in the sector, in part because the differential in the ratings, whether measured in prospective yields or price/earnings ratios, is relatively small when compared to other sectors, including water.

However, Mr Nigel Hawkins, an analyst at House Govett, is among those who believe that agreed mergers are more

likely. The stronger a company's share price, the stronger its bargaining position will be in merger talks.

Mr Nigel Burton, electricity analyst at SG Warburg Securities, says there are two other motives for rec executives to keep their ratings high.

"The first is that high share prices act as an incentive on staff."

"Most recs' employees look regularly at their company's share price and see how it is faring against others in the sector."

"The executives' second motive in keeping their rating high is their pride."

If Mr Burton is right, the pride of Mr John Harris, chairman of East Midlands Electricity, must have taken a fair knocking in the past three years. East Midlands has never been highly rated since its flotation and yesterday was no exception.

Its shares were, at yesterday's closing price of 56p, the lowest of the recs, all of which were floated at 240p. But what signifies its low valuation in City eyes is its prospective yield for the current year.

Warburg is right in its prediction that the company will pay out 22p to shareholders in 1993-94 the prospective yield is 4.9 per cent.

This, again, is among the highest of the recs, signifying the City's relatively poor view of the company. On Warburg's analysis Norweb was sitting on the top of the rec pile at noon yesterday, with its shares trading at a prospective

yield of 4.4 per cent. In evaluating electricity shares investors are strongly influenced by their perceptions of the managements and their strategies. One reason why Eastern has climbed from the bottom of the heap is that last year appointed Mr John Devaney as chief executive.

Prior to his arrival there had been concern that Mr James Smith, now chairman but then chief executive as well, was not doing enough to improve the company's efficiency and the City felt staff numbers remained stubbornly high.

Mr Devaney, appointed from outside the industry from his previous job in the US motor industry, is credited with implementing significant job cuts and improved efficiencies in the past year.

At East Midlands, Mr John Harris, chairman, is considered by some potential investors to take too high a profile. While other rec chiefs kept their heads down during the national debate over coal last year and this, Mr Harris could often be seen on television putting forward the industry's case.

The City prefers the quieter, more cautious approach of someone like Mr Ken Harvey, chairman of Norweb. One analyst relates how he recently visited a small institution for the first time in six years.

"Ken had been there the week before. The personal touch can make all the difference."

But however personable a company chief is, he has to have a convincing story to sell

if a round of City visits is to pay off. Here again, investors have been sceptical about East Midlands' diversification into areas such as electrical contracting.

They tend to prefer the stick-to-basics approach of Manweb, the only one of the 12 recs which has not participated in joint ventures to set up combined cycle gas generating plants.

Mr Simon Williams, electricity analyst at Kleinwort Benson Securities, says Manweb's shares are among the most attractive in the sector because they have the lowest risk strategy.

This, he says, is also reflected in its drive to improve efficiency. "The only way to consistently beat the regulator is to cut costs and Manweb has consistently demonstrated it can do that."

In the coming months controllable costs will come increasingly to the fore. This year's interim results will be treated with relative caution by investors who are wary of drawing too many conclusions from a half year which contributes far less than half of annual profits.

The focus will be on how the company can present itself to the regulator as he prepares his review of the companies' distribution businesses. Distribution is where the recs make most of their money; if companies show they have done as much as they can to make them efficient they may suffer least in the review and, therefore, in their share price.

## Merrett to scale back underwriting activities

By Richard Lapper

Merrett Holdings yesterday outlined plans to radically scale back its Lloyd's underwriting activities, focusing future operations on loss adjusting and other insurance services businesses.

Merrett, chaired by Mr Stephen Merrett, the former deputy chairman of Lloyd's of London, lost support from members' agents - which channel Names to its syndicates, earlier this year. Plans by Travelers' Insurance, the US insurance company, to provide backing for the agency's biggest syndicates, 418 and 1067, collapsed earlier this month.

The accounts show that it wrote off £3.9m in goodwill against reserves after purchasing 3.18m Metro shares for £4.9m.

However, it then revalued

## Chrysalis accounts change just a 'storm in a teacup'

By Andrew Jack

Chrysalis, the music and media group, is to amend the treatment of one of the companies in which it owns shares following discussions with the Financial Reporting Review Panel, the UK accounts watchdog.

The company is to change the 1992 figures in its reserve notes for the treatment of its associated undertaking in Metro Radio, in which it held an 18.7 per cent stake.

The accounts show that it wrote off £3.9m in goodwill against reserves after purchasing 3.18m Metro shares for £4.9m.

However, it then revalued

the investment to its original cost by an amount equal to the write-off, which the panel ruled to be contrary to SSAP 1, the accounting standard on associated companies.

The treatment was highlighted in the 1992 accounts, which stated it was "not in accordance with accounting standards". No such statement had been made in the 1991 accounts after the shares were first acquired.

Neither Stoy Hayward, the auditor in 1991, nor KPMG Peat Marwick, which replaced it in 1992, had qualified the accounts to draw attention to the treatment.

Mr Nigel Butterfield, group

finance director, said: "I would like to say it's a storm in a teacup, but it's not much of a storm. It's irritating. We wasted a lot of time and professional fees on it."

The directors maintain that they are justified in showing the aggregate value of their investment in Metro, and will achieve this by attributing the fair value to the company's intangible assets - its radio licences.

They will also provide a more detailed explanation, and amend the reserves to add back a £3.9m write-off to the profit and loss account reserve and deduct it from the revaluation reserve.

## AAF sells US offshoot for \$33m

By David Blackwell

AAF Industries, the mini-conglomerate which plunged into the red in its first half, is to sell its US modular building subsidiary for a total of \$33.3m (£22.3m).

Mr Alex Brown, chief executive, said yesterday that the disposal "takes a lot of the pressure off and gives us a chance to look at the group afresh."

No decision had yet been made on making further disposals.

On April 1 the company announced a 1-for-4 rights issue at 175p which was 97.6 per cent subscribed. It was fol-

lowed by profits warnings in July and September which sent the shares tumbling.

Last month AAF reported an interim loss of £11m compared with a profit of £2.26m.

The deficit stemmed directly from expansion of its prefabricated building manufacturing business, which it bought in 1989, into an on-site contractor.

The group warned that further costs of £7m would be incurred in the second half because of the closure of the loss-making division.

Yesterday the shares, which have traded as low as 19p, rose 11p to 49p.

The group has agreed to sell Diamond Engineering Space, a unit of General Electric of the US, for \$27.3m cash and a further \$6m in consideration for the giving of a non-competition covenant.

Ohio-based Diamond had a book value of some \$30m at the end of September. Last year it contributed \$1.5m to profits on turnover of \$1.2m.

GE Capital will not be assuming \$15.5m of Diamond's debt and liabilities.

AAF said the net proceeds of the sale would be about \$13.3m of which \$4.3m would be used to reduce debt to about \$24m, leaving gearing at between 110 per cent and 115 per cent.

## NEWS IN BRIEF

ADWEST GROUP has acquired Rousseau, a French maker of jacks for the automotive industry, for £1.1m in cash.

ALVIS is paying an initial £600,000 cash for Morfax's world-wide business in Wheelbarrow explosive ordnance disposal robots. A further consideration, to a maximum £1.4m, is to be paid later.

BRAMMER, the industrial service group, has sold its US subsidiary Master Pumps & Equipment, to a management group for \$2.5m (£1.6m). Proceeds of the sale, which is in line with stated policy of concentrating resources in Europe, will be used to reduce borrowings.

BRITISH POLYTHENE Industries has bought Dublin-based Consolidated Plastics and its wholly owned trading subsidiary CV Packaging Consider-

ation is £270,000 (£264,000). Consolidated, a producer of polythene film, was jointly owned by Smurfit Ireland and Irish Fertiliser Industries.

CASTLE COMMUNICATIONS has sold its shareholding in Castle Communications (Australia) to BMG Arista/Ariola, the Australian subsidiary of Bertelsmann Music Group. The purchase price produced a "modest" profit over book value. In addition BMG took on debt of £20,000.

CZECH & SLOVAK Investment Corporation: Net asset value \$9.54 at September 30 (\$9.46 at March 31). Net deficit per share 1.3 cents for six months to September 30 (4.2 cents for previous 7½ months period).

DRAGON OIL has disposed of minority interests in two associated companies, North West Exploration and New Signet

Resources, for £237,500 (£230,000).

ELLIOTT (B): Rights issue of 9.1m ordinary shares taken up to 8.48m shares (83.12 per cent). Balance has been placed with institutional investors.

EMAP has acquired Containerisation International, a monthly business magazine with a circulation of 9,759 in 120 countries, from National Magazine Company. CI, which derives 87 per cent of its advertising from outside the UK, returned a small operating profit on turnover of £1.9m for the 1992 year.

GUINNESS PEAT Group is buying 31.9 per cent of the voting capital of Physicians Insurance Company of Ohio for \$5m (£3.4m) cash. Physicians has \$231m under management and in the 1992 year reported a loss of \$6.9m.

## FT-SE Actuaries seminar

The FT-SE Actuaries Classification Committee is holding a seminar for professional investors to discuss the recently announced changes in the classification of UK equities.

The seminar will be held at the Financial Times on December 7. Admission is free. Those interested in attending are asked to contact Liz Leech of the FT on 071 873 3229 or by fax on 071 873 4610.

Fidelity Japan

Fidelity Japan and Regional Markets net assets were \$10.71 (\$8.91) at September 30.

## PAINTS &amp; THE ENVIRONMENT: AN INDUSTRY FIGHTS BACK

The Financial Times plans to publish this Survey on

WEDNESDAY, 16<sup>th</sup> FEBRUARY, 1994

It will be published from our print centres in Tokyo, New York, Frankfurt, Roubaix and London. It will be seen by Chief Executives and Government Officials in 160 countries worldwide.

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FT SURVEYS

## INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are mid-point values.

UNITED STATES					JAPAN					GERMANY					FRANCE					ITALY					UNITED KINGDOM								
Year	Index	Industrial production	Unemployment rate	Velocity rate indicator	Composite leading indicator	Year	Index	Industrial production	Unemployment rate	Velocity rate indicator	Composite leading indicator	Year	Index	Industrial production	Unemployment rate	Velocity rate indicator	Composite leading indicator	Year	Index	Industrial production	Unemployment rate	Velocity rate indicator	Composite leading indicator	Year	Index	Industrial production	Unemployment rate	Velocity rate indicator	Composite leading indicator				
1985	100.0	100.0	7.1	100.0	102.1	1985	100.0	100.0	2.8	100.0	98.1	1985	100.0	100.0	7.1	100.0	105.1	1985	100.0	100.0	10.3	100.0	102.7	1985	100.0	100.0	8.8	103.9	100.0	100.0	11.2	100.0	101.8
1986	100.5	100.5	6.9	100.5	102.1	1986	100.5	100.5	2.2	100.5	98.7	1986	100.5	100.5	6.9	100.5	105.1	1986	100.5	100.5	10.3	100.5	102.7	1986	100.5	100.5	8.8	103.9	100.5	100.5	11.2	100.5	101.8
1987	100.4	100.4	6.1	100.4	100.5	1987	113.8	103.1	2.6	108.3	115.5	1987	104.5	102.6	6.2	149.4	108.1	1987	104.5	103.1	10.5	117.7	106.8	1987	112.1	108.9	10.9	122.8	110.7	106.5	10.3	141.2	109.6
1988	112.6	110.7	5.4	106.1	112.5	1988	122.6	112.9	2.5	135.9	127.0	1988	110.5	106.3	8.2	164.8	112.2	1988	107.9	107.3	10.0	154.9	114.5	1988	108.0	114.2	10.9	117.8	117.8	111.8	8.5	144.3	107.1
1989	115.6	112.4	5.2	99.3	110.8	1989	132.5	118.9	2.2	147.0	125.8	1989	114.2	111.4	5.6	216.7	115.1	1989	108.5	111.3	9.4	161.1	114.1	1989	116.8	116.7	10.9	115.9	120.1	114.0	7.2	124.7	104.7
1990	116.5	112.4	4.4	84.6	108.9	1990	144.8	125.5	2.1	149.2	128.2	1990	110.1	112.9	8.8	163.0	107.1	1990	114.3	116.0	10.3	162.0	112.7	1990	116.0	115.4	9.8	114.8	119.8	109.2	6.7	86.6	106.0
1991	114.2	110.3	6.7	62.2	112.2	1991	144.6	128.4	2.1	144.2	121.9	1991	105.7	113.2	9.5	127.7	105.3	1991	105.7	113.2	9.5	127.7	105.3	1991	116.3	113.8	9.8	111.5	120.5	106.7	6.8	70.0	111.1
1992	117.8	112.9	7.3	60.4	117.8	1992	139.9	120.6	2.2	124.2	121.8	1992	128.2	119.1	4.6	200.2	108.8	1992	106.9	113.1	10.4	111.4	106.8	1992	116.3	113.8	9.8	111.5	120.5	106.7	6.8	70.0	111.1
4th qtr 1992	5.9	5.2	7.2	61.8	117.8	-5.5	-7.7	2.3	115.3	121.6	-1.4	-4.6	4.9	233.1	107.8	-0.1	-3.7	10.7	101.8	105.8	2.7	-3.8	9.3	111.5	1.8	0.9	10.4	71.7	111.1	4th qtr 1992			
1st qtr 1993	3.7	4.4	6.9	62.2	117.7	-5.9	-5.1	2.3	115.5	125.0	-4.5	-9.8	5.3	213.4	107.0	0.1	-3.7	11.0	108.8	103.8	2.0	-4.0	9.0	114.3	3.3	1.8	10.5	73.7	114.8	1st qtr 1993			
2nd qtr 1993	5.3	5.8	6.9	63.7	117.5	-6.0	-4.8	2.4	108.2	128.2	-3.9	-5.3	5.6	203.2	108.2	1.1	-4.1	11.5	91.8	104.7	10.2	-4.0	10.6	115.8	3.0	5.0	10.2	74.3	114.8	2nd qtr 1993			
3rd qtr 1993	4.2	4.9	6.9	63.7	117.5	-4.2	-5.8	2.5	108.2	128.2	-2.1	-7.0	5.9	194.5	112.8	0.9	-3.6	11.7	95.0	106.0	-1.3	-10.2	119.5	3.8	2.7	10.3	77.5	118.1	3rd qtr 1993				
November 1992	5.7	5.2	7.2	62.4	117.3	-6.5	-6.6	2.3	110.8	121.6	1.4	-5.8	4.9	232.2	107.2	-5.2	-3.9	10.7	101.8	106.7	5.7	-5.7	n.a.	111.4	1.6	0.2	10.4	71.2	110.0	November 1992			
December	6.5	4.0	7.2	62.3	117.3	-7.7	-7.8	2.4	118.8	121.8	-4.2	-4.3	5.0	224.2	108.8	-0.1	-4.6	10.9	108.0	105.8	-0.2	-4.4	n.a.	111.5	1.0	0.5	10.6	74.8	111.1	December			
January 1993	4.9	4.6	7.0	60.4	118.2	-3.5	-7.8	2.3	109.8	122.6	-7.3	-9.1	5.2	218.7	108.5	0.1	-5.4	10.9	97.1	105.1	11.0	-3.8	n.a.	111.9	3.0	1.8	10.7	73.1	112.6	January 1993			
February	3.2	4.4	6.9	63.5	117.8	-6.8	-5.8	2.3	113.0	123.5	-4.8	-11.8	5.3	212.8	108.6	-3.8	-2.8	11.0	95.6	104.7	-4.5	-4.3	n.a.	113.4	2.8	2.0	10.5	73.2	113.9	February			
March	3.0	4.3	6.9	62.9	117.7	-8.2	-2.0	2.3	123.0	125.0	-1.7	-8.5	5.6	210.2	107.0	4.3	-3.0	11.2	96.0	103.8	-3.2	-4.7	n.a.	114.3	4.0	1.8	10.4	74.8	114.8	March			
April	4.7	3.9	6.8	62.9	117.2	-5.3	-4.1	2.3	108.8	128.3	-2.4	-9.0	5.6	211.8	107.6	1.1	-6.1	11.4	95.0	104.8	1.7	-3.8	n.a.	114.7	2.7	1.3	10.3	75.0	114.9	April			
May	5.2	3.3	6.8	65.0	117.4	-4.8	-4.2	2.5	102.6	126.4	-5.7	-8.2	5.6	208.5	108.1	-3.1	-3.6	11.5	89.1	105.0	-10.4	-4.8	n.a.	115.2	2.4	4.8	10.2	75.1	115.0	May			
June	6.0	4.2	6.8	63.1	117.5	-6.0	-4.8	2.5	108.4	120.2	-3.4	-7.8	5.7	208.8	108.2	5.3	-3.6	11.8	91.0	104.7	-3.9	-4.8	n.a.	115.8	2.4	5.1	10.2	75.2	115.0	June			
July	5.9	3.7	6.8	65.6	118.1	-4.9	-4.5	2.5	100.6	128.2	-3.9	-7.6	5.6	203.5	110.2	1.6	-3.2	11.7	93.9	104.4	-3.3	-4.8	n.a.	116.6	4.4	3.6	10.3	77.5	118.9	July			
August	5.3	4.0	6.7	67.7	118.0	-4.5	-2.5	2.5	103.3	129.9	-0.3	-5.5	5.8	185.3	111.1	-0.8	-4.0	11.7	80.4	104.9	0.0	-4.8	n.a.	117.6	3.8	2.8	10.4	77.7	117.1	August			
September	4.9	4.6	6.8	65.6	120.1	-4.4	-2.6	2.6	108.7	128.2	-1.8	-7.8	6.0	164.6	112.8	-2.0	-4.0	11.8	80.8	105.0	-0.8	-4.8	n.a.	119.5	3.0	2.1	10.2	77.9	118.1	September			
October	4.4					-4.4							173.0													3.2			61.8		October		



## COMPANY NEWS: UK

Success of corporate strategy behind organic expansion

## Control Techniques up 47%

By Andrew Baxter

Control Techniques, the Powys-based controls and drives producer, lifted pre-tax profits by 47 per cent, from £2.2m to a record £3.14m, in the 12 months to September 30.

The outcome was struck on turnover of £105.3m, up 20 per cent from the previous 88m.

The recommended final dividend is raised to 5.15p, taking the total for the year to 7.5p, against 6.85p.

With earnings ahead from 9.8p to 15.3p per share, the distribution to shareholders is now covered twice by earnings, against 1.4 times in 1992.

Mr Trevor Wheatley, chairman, said the directors had been "mindful of the need to rebuild dividend cover to level appropriate to a company such as Control Techniques which, to maintain its competitive edge, must invest significant sums in capital expenditure and research and development."

Mr Wheatley said the results were a direct reflection of the successful application of CT's corporate strategy - which focuses exclusively on drives and controls for electric motors - and this had produced a welcome improvement in organic growth.

"The strategy is to maintain CT's commitment to research and development, to standard-



Trevor Wheatley (right) and Kevin Curran, group managing director: mindful of the need to rebuild dividend cover

dise and centralise production in state-of-the-art manufacturing facilities in mid-Wales and to concentrate the marketing and sales effort on expanding the company's worldwide network

of CT Drive Centres." Worldwide, CT has 24 Drive Centres, small factories which take equipment from the Newtown manufacturing base and provide a tailored service to local customers.

Six more will be opened this year as the company moves towards its ultimate target of some 60 units worldwide.

Mr Wheatley said the rate of growth in orders had slowed somewhat in recent months and the board was not expecting any substantial improvement in economic conditions.

The company had therefore been positioned to increase sales and profits even in this environment.

**COMMENT**  
Rationalisation has played a part in CT's success this year - some 200 jobs have been cut worldwide. But there's more to the strategy than cost-cutting: 100 manufacturing jobs have been added in Wales and the overall worldwide headcount is only slightly down at about 1,900. CT is benefiting from its focused strategy, from the highly profitable Drive Centre development and from overseas expansion. The product substitution that has followed foreign acquisitions has increased output from Wales even though the US and German businesses - together accounting for 60m in sales - are not yet contributing to profits. But both are expected to contribute significantly this year, and in spite of market conditions, suggest a further rise in profits to perhaps £12m to £13m, putting the company on a reasonable prospective multiple of 18 to 17.

## Kalamazoo sustains revival with £2.5m

By Paul Chesswright, Midlands Correspondent

Kalamazoo sustained its revival in the six months to September 30 with pre-tax profits of £2.53m, against a restated loss of £398,000 last time.

Fortunes started to revive at the computer services and printing systems group in last year's second half as losses in its printing systems division were brought under control.

The division made a pre-tax profit of £780,000 in the period, against a first half deficit of £1.51m.

But as Kalamazoo concentrates on the expansion of its computer services business, the future of the printed systems business within the group looks doubtful.

Mr Peter Harrop, the chairman, said that he did not perceive the necessity of a fire sale.

During the first half, computer services contributed £31.9m to total turnover of £29.8m (£27.6m).

Mr Harrop said that Kalamazoo intended, from the base of its net cash balances, to spread its computer services business across Europe.

The interim dividend is raised to 0.55p (0.25p), payable from earnings of 4.2p per share.

## Lack of exceptional credit leaves Borthwicks lower

By Catherine Milton

Interim pre-tax profits at Borthwicks, the natural flavours company, fell from £1.89m to £1.13m in the first results since the company completed its exit from the meat processing industry.

Figures for the last year to September 25 were distorted by a one-off £442,000 credit booked in the comparative period related to tax on a New Zealand lamb contract which had been sold.

Sales fell by more than a third to £14.8m (£25.2m). Turnover in continuing businesses increased to £14.5m (£12.9m).

"As far as the future is concerned, clearly we are going for

organic growth but we are also working on joint ventures and partnerships and are searching for acquisitions," said Mr Peter Brackley, chief executive.

"In the UK, despite a difficult economic situation, and despite the well-documented price pressure from Mr Sainsbury and Mr Tesco, we did increase sales from the UK operations, although operating margins slipped," he said.

Borthwicks said operating margins in the UK businesses fell to a little more than 8 per cent (10 per cent) over the period partly because of price pressure and partly because of sterling's devaluation which affected more than 80 per cent of raw materials.

Operating margins across continuing businesses fell to 8.5 per cent (8.3 per cent).

Interest charges dropped to £142,000 (£394,000), reflecting disposals in the second half of last year.

Net borrowings fell to £3.82m (£6.62m) but had climbed £500,000 since the year end. Gearing was 47.5 per cent (53.6 per cent).

Unrelieved tax losses of £4.7m and planned US tax losses of \$8m should ensure a tax charge of about 13 per cent for "the foreseeable future".

The interim dividend is maintained at 0.5p although earnings per share fell to 1.6p (1.9p).

## Enlarged Merrydown tops £0.9m

By Philip Rawstone

Merrydown, the Sussex-based cider and soft drinks maker, increased first half pre-tax profits by 23 per cent to £322,000, helped by contributions from Shloer and FLJ, the adult soft drinks acquired in January.

Their combined impact on revenue and profit is expected to be significantly greater in the second half," said Mr Richard Furey, chairman. "The Christmas period, which normally accounts for 45 per cent

of Shloer's annual sales, will be crucial."

Earnings per share for the six months to September 30 fell 8 per cent to 5.72p (6.22p) after a 3m share issue to fund the acquisitions. The interim dividend is maintained at 1p.

Trading profit rose 17 per cent to £1.25m (£1.07m) on turnover £1.1m higher at £11.2m.

Soft drinks, which also include Pilsmer and Sorrell, accounted for 37 per cent of turnover, compared with 38 per cent in the same period last

year. Shloer sales in Ireland were largely responsible for an 85 per cent rise in export revenue to £280,000.

Cider sales were affected by a slower than expected relaunch of Merrydown Original, the company's leading brand. By September, however, sales were running ahead of last year, and Original retained leadership of the Scottish take-home market.

Sales of Premium Draught cider progressed and sales of own-label ciders accounted for 10 per cent of group revenue.

## Sep hits £2m and seeks £5m

Sep Industrial Holdings, the Surrey-based general engineer, yesterday reported a rise in pre-tax profits from £330,000 to £2.05m for the year to end-September.

The company also announced a placing and open offer to raise £5.05m net to enhance the balance sheet and help fund recent acquisitions.

Gearing at year-end of 54 per cent was expected to fall to about 16 per cent.

The placing and open offer is of 17.85m new ordinary shares on a 1-for-4 basis. The shares have been placed with institutional and other investors at 30p per share, subject to a clawback by existing shareholders.

For the past year acquisitions added £380,000 to profits and £16m to total turnover of £37.72m (£34.04m).

Earnings worked through at 2.5p (1.42p) and a final dividend of 0.45p makes a 0.8p (0.65p) total. At the interim stage a total of not less than 0.75p was forecast.

The shares closed 2p higher at 33p.

## Shield Diagnostics makes first purchase

Shield Diagnostics Group reported losses of £160,700 from its incorporation in June to the end of September. The company came to the market in September.

The company also made its first acquisition since coming to the market with the purchase of the medical division of Cortec Diagnostics for a total of £250,000.

Turnover for the period was £239,600. Losses per share were 15.07p on a weighted average of

number of shares during the period. However, on the basis of the number of shares in issue following the acquisition of Shield Diagnostics Ltd losses were 1.23p.

Shield Diagnostics Ltd reported a pre-tax loss of £287,600 (£313,700) for the six months to September 30 on turnover of £872,600 (£833,200).

The shares rose 1p to 88p against the placing price of 112p.

## Exceptional boost for Dakota

Dakota, the Dublin-based packaging and stationery group, swung from losses of £12.3m to profits of £1.85m (£1.76m) pre-tax for the year to end-September.

The figure took account of an exceptional net gain of £11.11m (£1.22m loss). Turnover of £121.8m (£126.9m) included £14.67m from discontinued operations. Earnings per share improved to 6p (losses 8.4p).

**Keystone Inv makes £7m debenture issue**

Keystone Investment Company, the investment trust, is issuing £7m of debenture stock 2020.

The stock will be priced to give an effective yield of 8.5 basis points over the gross redemption yield on 8.75 per cent Treasury stock 2017.

The stock will be payable in full on December 6 and interest will be payable semi-annually in arrears on April 1 and October 1 with a short first coupon to April 1 1994.

## Stakis in £6m airport venture

Stakis, the hotel and casino group which returned to profit last year, is to spend \$9m on building a 150-room hotel at

Edinburgh airport, its first construction for 3½ years and the first to be built at the airport.

It will be built in partnership with BAA, the airport's operator, which will lease the land to Stakis and take a percentage of turnover in rent.

**Second HGSC asset value 98.94p**

Net asset value per ordinary share of the Second HGSC Index Investment Trust stood at 98.94p at September 1. That was an improvement of 4.1p since July 8 when the company completed an offer for subscription and placing.

By end-September the figure had slipped to 98.94p.

For the period May 7 to September 30 after tax revenue amounted to £133,084, equal to earnings of 0.53p.

## EFM Income Tst net asset value up

EFM Income Trust reported a net asset value of 96.8p per share at October 31, up from 95.9p at end-April and 97.7p at end-October 1992.

Net revenue for the half year to end-October amounted to £404,000 (£361,000), equivalent to earnings of 2.7p (2.4p) per share. A second interim dividend of 1p makes 2p (2.4p) so far this year.

## James Latham back in black with £0.6m

James Latham, the timber importer and building materials merchant, swung back into the black in the six months to end-September with a pre-tax profit of £598,000.

At the March year end there was a deficit of £2.2m, principally arising from a £1.88m exceptional charge, although at the interim stage of that year the company reported a profit of £54,000.

Turnover for the latest six months amounted to £35.1m, against £21m - including £1.39m from discontinued operations - last time.

The interest charge fell to \$477,125 (£16,600) and tax to £180,000 (£0). The interim dividend is maintained at 1.5p from earnings of 7.91p (0.29p).

## Hotel side boosts Daniel Thwaites

Daniel Thwaites, the brewer, wine merchant and public house and hotel operator, lifted pre-tax profits by 30 per cent from £24.4m to £31.7m in the half year to September 30. The increase stemmed mainly from the hotel subsidiary, Shire Inns, the company said.

Turnover rose to £36m (£35.7m) and the pre-tax figure was after a £729,000 loss on the sale of properties.

Earnings per share advanced from 8.3p to 9.9p and the interim dividend is stepped up to 1.5p (1p).

The company's shares trade under Stock Exchange Rule 536(2).

## Simon in sale talks

Simon Engineering is in talks with the Western Company of North America for the sale of Unichem International.

Houston-based Unichem has annual sales of about \$30m (£20m) and provides speciality chemicals and technical services to the US oil, gas, refinery and petrochemical industries.

## Markheath granted breathing space

Markheath, the property group 61 per cent-owned by Adelaide Steamship of Australia and its associates, has been given a further one month extension by the DTI to delay the publication of its annual accounts for the year to end-March

## NEWS DIGEST

until December 30. Markheath said that negotiations with the group's banks were "continuing in a constructive manner but were unlikely to be completed by November 30 1993."

## Strong asset growth at China Inv Trust

China Investment Trust, which came to the market in May, reported a net asset value of 11p per share as at September 30. The figure had increased to 14.2p per share by November 25.

Net revenue amounted to \$47,969 in the period to end-September, for earnings of 0.3p per share.

## F&amp;C Pep net asset value at 116.9p

Foreign & Colonial Pep Investment Trust had a net asset value of 116.9p per share at September 30, up from 97.9p at the inception of dealing in October 1992.

Available revenue for the 12 months to end-September was £1.87m for earnings of 4.32p per share. A recommended final dividend of 2.5p brings the total to 3.4p.

## Drayton Blue Chip net assets ahead

Drayton Blue Chip Trust reported a net asset value of

88.5p per income share at September 30, up 8 per cent from 81.2p at the March year-end.

The increase on the same stage of 1992 was 24 per cent.

Net revenue was virtually flat at £528,000 (£510,000) for earnings of 3.98p (4.08p) per share. The interim dividend is maintained at 2.905p.

## Court Cavendish in £2.1m expansion

Court Cavendish, the care home operator which came to the market in July, has made a £2.1m recommended offer for Gainsborough Homes.

Directors of Gainsborough have given irrevocable undertakings in respect of their own

and their family interests amounting to 34.5 per cent of the issued share capital.

Gainsborough shareholders can receive their consideration in cash, Court Cavendish shares at 225p or loan notes, or a combination of both.

## BCE deficit at £162,000

BCE Holdings, the USM-quoted distributor of smoker, billiard and pool products, announced pre-tax losses of £162,000 for the six months ended September 30, compared with £168,000 on turnover down from £1.98m to £1.62m.

Losses per share were 0.59p (0.6p).

A portion of the offering was sold in the United States in reliance on Rule 144A under the U.S. Securities Act of 1933, as amended.

This announcement appears as a matter of record only.

New Issue

November 1993

SAMSUNG

ELECTRONICS

Samsung Electronics Co., Ltd.

(Incorporated in the Republic of Korea with limited liability)

US\$150,000,000

4,316,546 Rule 144A Global Depositary Shares  
Representing 2,158,273 Shares of Non-Voting Stock

Global Coordinator  
Merrill Lynch & Co.

Asian Offering:

Merrill Lynch International Limited  
Daiwa Europe Limited  
Korea Development Securities Co., Ltd.

Tong Yang Securities Co., Ltd.  
Goldman Sachs (Asia) Limited  
J. Henry Schroder Wagg & Co. Limited  
Saangyong Investment & Securities Co., Ltd.

European and Rest of the World Offering

Merrill Lynch International Limited  
Barclays de Zoete Wedd Limited  
Goldman Sachs International Limited  
UBS Limited

Tong Yang Securities Co., Ltd.  
CS First Boston  
Saangyong Securities Europe Limited

United States

Merrill Lynch & Co.  
Goldman, Sachs & Co.  
Salomon Brothers Inc.

CS First Boston  
Lehman Brothers  
Tong Yang Securities (America), Inc.

## COURSES

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MSC Course Secretary  
Department of Social Policy & Social Planning  
University of Bristol  
8 Woodland Road  
BRISTOL, BS8 1TH  
Phone 0274 303030 Fax 0274 30348333  
Fax 0274 303573

## LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
No. 100278 of 1993  
IN THE MATTER OF KENWILL SYSTEMS  
PUBLIC LIMITED COMPANY  
(and)  
IN THE MATTER OF  
THE COMPANIES ACT 1985  
NOTICE IS HEREBY GIVEN that the order of the High Court of Justice (Chancery Division) dated 17th November 1993 confirming the reduction of the Share Premium Account of the above named company by the sum of £7,254,000 was registered by the Registrar of Companies on 19th November 1993.  
DATED this 28th day of November, 1993.  
Lorrell Wynn Dwyer, 65 Holborn Viaduct, London EC1A 2DV  
Solicitors for the above named Company

## COMPANY NOTICES

GENCOR LIMITED  
Notified in accordance with Rule 144A  
Annual General Meeting  
The 94th annual general meeting of the members of Gencor Limited will be held at the boardroom, ground floor, Union Corporation Building, 74-76 Marshfield Street, Johannesburg, on Monday 17 January 1994 at 14.00.  
Holders of share warrants to bearer may obtain copies of the annual report from the office of the Company Secretary, 30 Ely Place, London EC1N 6JA.  
per pro Gencor (U.K.) Limited  
London Secretaries  
L.J. Baker  
30 November 1993

REPÚBLICA FEDERATIVA DO BRASIL  
MINISTÉRIO DO BEM-ESTAR SOCIAL  
SECRETARIA DE SAUAMENTO  
PROGRAMA DE AÇÃO SOCIAL EM SAUAMENTO  
PROSEGE  
ESTADO DO PARANÁ  
MUNICÍPIO DE PATO BRANCO  
INVITATION FOR INTERNATIONAL BID  
"PROSEGE Nº 01/73"

The "Prefeitura Municipal de Pato Branco" announces that the Bidding Commission Chairman will receive the Eligibility and Qualification Documents and the Bid for the construction and completion of the works described in the attached Bidding Documents, duly recorded at the reception desk of the "Prefeitura Municipal de Pato Branco", at 2:00 p.m. on 18 January 1994, at the Bidding Office at "Rua Cararamuru, nº 271, Pato Branco, Paraná", "Sistema de Esgotos Sanitários de Pato Branco".  
Brazilian and foreign bidders may participate in this bid process, restricted to member-countries of the Inter-American Development Bank - IDB.  
The works referred in these instructions will be supported by financial resources coming from the "Programa de Ação Social em Saúamento - Prosege" (Program of Social Action in Sanitation), of the "Ministério do Bem-Estar Social - MBES" which are partly proceeds of the loan agreement 622/OC-88 signed between IDB and the Government of Brazil, resources coming from the Federal General Budget and the corresponding financial counterpart of "Prefeitura Municipal de Pato Branco", according to the Budget Resolution. Nº 1.172 de 26/11/92.  
A complete set of bidding documents may be purchased at the "Prefeitura Municipal de Pato Branco, Rua Cararamuru, 271", from the publishing in ONU ("Organização das Nações Unidas") this invitation on, at working time (Monday to Friday from 8:00 to 12:00 a.m. and 2:00 to 5:00 p.m.) until 10 days before the presentation of the Documents and Bids, upon payment of CR\$ 60.000,00 for each Bid.  
Pato Branco, 28 de outubro de 1993  
al DELVINO LONGHI - PREFEITO MUNICIPAL  
Engº ROBERTO ZAMBERLAN  
Presidente da Comissão de Licitação

Handwritten note: "28/10/93 15.50"



## FINANCIAL TIMES SURVEY

## VIETNAM

Tuesday November 30 1993

Transforming the banking sector is one of the most daunting tasks: Page III

A guide for the investor on how to do business in Vietnam: Page V

Free market reforms have led to a rush of business activity with Hanoi aiming to double GDP in the current decade. But with growth comes the threat of corruption, environmental destruction and a widening gap between rich and poor, writes Victor Mallet

## Too much, too soon

The Vietnamese are enjoying themselves. After half a century of warfare and dour communist rule, the country's 70m inhabitants - urban and rural - have responded enthusiastically to the free market policies progressively introduced by the government over the past seven years.

With an average per capita gross domestic product of \$220 a year, Vietnam is still one of the world's poorest countries, but the traits of a modern consumer society are emerging everywhere from the trading towns on the Chinese border in the north to the beach resort of Vung Tau in the south.

In the once sleepy capital Hanoi, foreigners and Vietnamese are building hotels, office blocks and private houses, replicating the construction and business boom which is already well under way in Ho Chi Minh City, the southern commercial centre previously known as Saigon.

The public tennis courts in the central port city of Danang are packed with eager inexperienced players, in nearby Hue, students are contentedly drinking beer in bars which opened only months ago.

In Ho Chi Minh City, a new supermarket was forced to close its doors after only four days because it could not meet the demands of its customers:

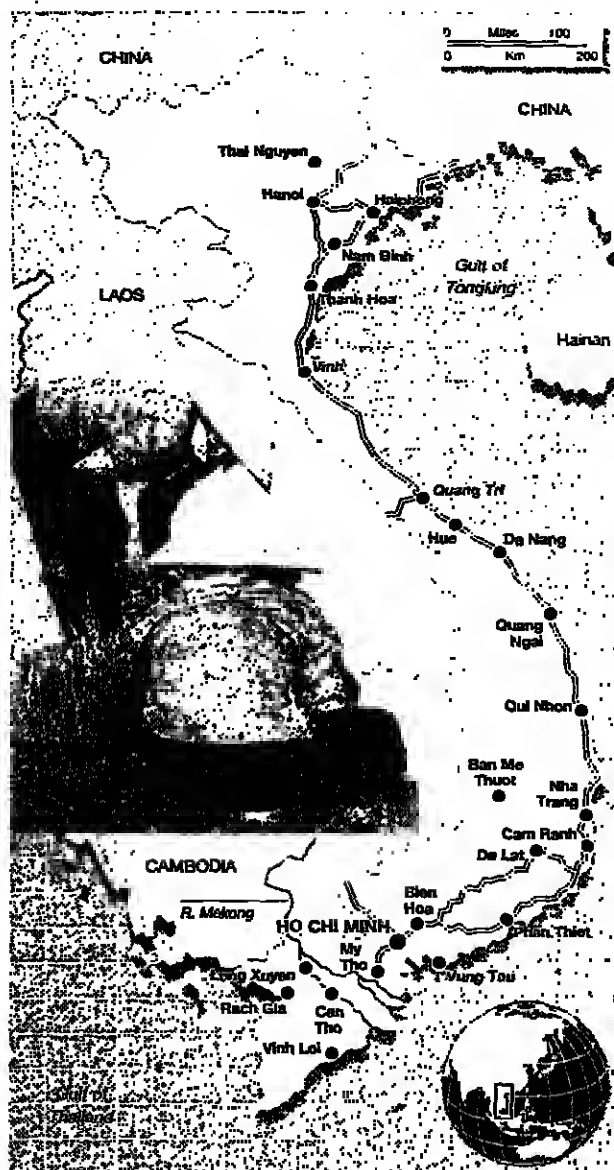
the check-out queues were one and a half hours long.

There is, as Vietnamese officials admit, an ugly side to Vietnam's transformation. Corruption, greed and prostitution have flourished in the liberal economic climate. But the incipient urban prosperity that allows the wealthier Vietnamese to buy new motorcycles and build new homes is underpinned by solid and nationwide economic achievements since the communist government launched its policy of *doi moi* (renovation).

Ruthless restriction of the money supply has forced inflation down from more than 700 per cent in 1986 to less than 10 per cent today. Foreign investors have proposed \$6.5bn of projects in the five years since the first foreign investment law was enacted. Exports - including rice, textiles and seafood - have been growing at an average 30 per cent a year in the same period. The economy grew by 8.3 per cent last year, a performance which will almost be matched in 1993.

Vietnam reacted nimbly to the collapse of communism in eastern Europe, shifting the focus of its trade away from the former Soviet bloc countries to new partners in Asia and the west.

According to the trade ministry, all of Vietnam's light industrial exports went to the



east bloc in 1988. Last year the figure was 4 per cent.

Most remarkable of all, the first stage of Vietnam's shift from central planning to the export-oriented industrialisation policies that have been so successful elsewhere in Asia was achieved with hardly any assistance from foreign donors.

It was only in July that the US withdrew its objections to multilateral aid for Vietnam from the World Bank, the

International Monetary Fund and the Asian Development Bank.

The US bilateral economic embargo dating back to the communist Vietnam War victory in 1975 remains in force, but the boycott is now at least as frustrating for American companies as it is for Vietnam.

So much foreign aid money will flood into the country - Vietnam was promised \$1.5bn at its first donors' conference



Construction workers in Hanoi: a flurry of building is under way in the once sleepy capital

in Paris this month - that the management skills of the government's Soviet-educated ministers and bureaucrats will be severely tested.

The government has set a target of doubling Vietnam's GDP in the current decade, and it estimates that success will require a total investment of about \$40bn - of which half is supposed to come from domestic sources and the remainder from foreign direct investment and foreign aid.

Vo Van Kiet, the prime minister, readily acknowledges the enormity of the task that lies ahead. In an introduction to the Vietnamese document prepared for the donor conference, he lamented the decline of social services and the severity of unemployment.

He also emphasised the importance of repairing the country's battered infrastructure and spoke of the need to strengthen the legal system in order to allow the market economy to work properly.

"There is still much for us to do and there remain many difficulties to overcome in order to carry on with our renovation programme and to realise our socio-economic goals," he wrote.

Mr Kiet and his reformist allies are operating in a difficult political environment. Advocates of reform say social services were already declining under the bankrupt policies of the past and that the switch to a market economy - bringing with it the benefits of foreign aid and investment - was made only just in time. The World Bank, for example, estimates that half of Vietnamese children under six are malnourished.

The inevitability of reform, however, has not prevented many Vietnamese from resenting the rampant corruption that has accompanied economic growth or from complaining that the good aspects of communism - free education for example - have been

thrown out with the bad.

Bereft of a coherent ideology, now that it has abandoned the command economy, the Communist Party of Vietnam is likely to find it increasingly difficult in the years ahead to justify its monopoly of power.

Indeed, the central government is already being challenged by Buddhist monks in Hue demanding greater freedom of religion, and by local governments around the country eager to exercise their own authority and to keep for their own fiefdoms a share of the money generated by investment and economic reform.

One of the hardest tasks for Hanoi on the domestic front will be to nurture the emerging Vietnamese private sector when both local and central government agencies are accustomed to supporting the state enterprises which fall under their control.

The privatisation programme has stalled. Returning Vietnamese exiles, a potential

source of capital and business skills, are often surprised after many years abroad to find that they are greeted with suspicion by long-lost acquaintances.

The banking system is in urgent need of reform and a series of draft laws relating to business - including those on bankruptcy, the resolution of contract disputes and the promotion of domestic investment - are queuing up to be passed by the National Assembly at its next meeting in December. Several will have to wait until the subsequent session in June 1994, according to parliamentary officials.

With so many basic tasks still needing to be performed, talk of establishing a stock market in Ho Chi Minh City is being dismissed by the government and by foreign bankers as premature.

On the foreign policy front, Vietnam continues to have a difficult relationship with its powerful neighbour China. Beijing periodically sends ships into areas that Vietnam says are in its territorial waters, including zones set aside for oil exploration.

This is one reason why Vietnam is anxious to restore full diplomatic ties with Washington. The US is regarded as the only plausible counterweight to Chinese expansionism in the region.

Given the difficulties Vietnam faces, it is enough to hope that the country will be able to emulate east Asia's "dragons" and achieve sustained economic growth into the next century.

To expect Vietnam to go further and avoid the worst tendencies of its fast-growing neighbours - including corruption, environmental destruction and a widening gap between rich and poor - would probably be over-ambitious.

"Some people talk about the dragon," says Do Duc Dinh, a Vietnamese economist, "but I think it may take three or four decades to come to that, and it depends on our efforts."

In the eyes of some of the country's more thoughtful citizens, the Vietnamese are enjoying themselves too much, too soon.

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- **Tan Thuan Export Processing Zone:** The first licensed export processing zone in VN, the TTTZ is a 300 hectares free trade zone for light, non-polluting industries to manufacture/operate.
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## VIETNAM II

Despite impressive gains, sustaining economic growth will be hard, says William Keeling

## The capitalist spirit is unleashed

It would be a brave person, and probably foolish, to deny that Vietnam will be among the world's fastest growing economies over the next few years. The government's 1986 decision to abandon the command economy has unleashed the country's capitalist spirit.

While Vietnam remains extremely poor - the government estimates annual per capita income at \$220 - growth in gross domestic product between 1989 and 1992 averaged 7 per cent. Growth is likely to be sustained this year and rise to more than 8 per cent in 1994.

The move toward a market economy has profoundly affected the lives of Vietnam's 70m people. More than 1m workers and soldiers have been removed from the public sector and over a third of the country's 12,000 state enterprises have been closed or merged. Instead of experiencing an east European-style economic collapse, Vietnam has responded vigorously.

Exports have grown from \$1.3bn in 1988 to \$2.5bn last year, while the trade balance improved from a \$350m deficit to a \$61m surplus last year. Exports of seafood, textiles, shoes and agricultural goods such as rubber and coffee are increasing.

Against this background, it might be churlish to suggest that big obstacles exist to the government's target of doubling GDP by the end of the century. Nevertheless, while gains to date have been impressive, Vietnam may struggle to keep its development on track.

Particular concern is the banking sector. Vietnam needs to avoid the mistakes of other developing countries, such as Ghana or Indonesia, which restructured their banking systems too late. The issue of the sector's bad debt, undercapitalisation and poor management must be a priority in the development process, according to foreign investors.

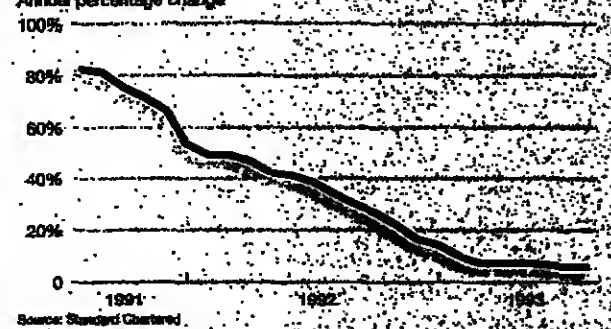
Vietnam is also diversifying its export base with the two

	Number of projects	Investment approved (\$m)	Investment implemented (\$m)
1988	37	864	-
1989	69	539	200
1990	106	600	200
1991	150	1,223	200
1992	198	1,937	300
1993 (to June)	133	1,551	500
Total	693	8,214	1,400

Source: State Committee for Co-operation and Investment (SCCI)

## Inflation

Annual percentage change



Source: Standard Chartered

leading products, crude oil and rice, accounting for less than half total exports last year. Exports of seafood, textiles, shoes and agricultural goods such as rubber and coffee are increasing.

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The large number of state enterprises remains a problem. Accounts supplied by the enterprises show a third as profitable but accounts are unreliable and profitability often depends on subsidised credits supplied by the treasury and the state-owned development bank.

Donors say the government must also improve its handling of infrastructure projects. The north-south high voltage power line being constructed is likely to exceed its planned \$500m cost by about 25 per cent. The World Bank estimates that between 1993 and 2000, Vietnam needs to invest a further \$2.6bn in the power sector and \$2.8bn in roads, ports and inland waterways to maintain the pace of development.

On a more positive note, the US decision to lift its objection to foreign funding allows Vietnam to call on western donors to help finance these projects. The IMF in October approved credits totalling \$233m, while in early November the World Bank and the Asian Development Bank gave the green light to six projects with loans totalling \$498m.

The World Bank estimates Vietnam will require aid dis-

bursments of about \$550m a year in 1994-95, rising to \$1bn by 1997 if its high level of growth is to be sustained. This level of disbursement, given the lead-time to initiate projects, will require far higher commitments, hence the November 10 decision by donors to pledge Vietnam \$1.86bn for the year ahead.

Donor finance alone, however, will not guarantee economic growth. Much will depend on the government's ability to absorb the aid efficiently and avoid the problems of, say, Bangladesh, where a backlog of projects exists. The machinery of government, which administers an annual budget of about \$1.5bn, will be stretched by the influx of aid.

Donors are likely to demand a more transparency in the government's finances. Important areas of revenue, particularly from oil exports, are not yet fully revealed in the budgetary accounts.

But the greatest danger to economic liberalisation is that government officials may object to the social and political results of the new policy.

The freeing of the economy has already increased friction between the Hanoi central government and provincial governments, particularly in Ho Chi Minh City. Provincial governments are modifying Hanoi regulations in areas such as foreign investment and taxation to facilitate greater local autonomy.

The move toward a free market has also left a grey area between what is a state-owned company, a privately-owned company. Local economists say many enterprises officially owned by provincial governments are now, in practical terms, operated for the benefit of their managers and employees.

Such companies may set up autonomous subsidiaries and may have three sets of accounts: one for the government - to which a nominal sum might be paid each year - another for the workers and their profit-sharing scheme, and yet another for the managers.

What appears to be happening is a slow metamorphosis of state-owned companies into private sector businesses, except that the legal ownership structure remains unclear and

the companies - having failed to shake off their Soviet-style accounting systems - put more emphasis on turnover than on profit.

There are reasons to be alarmed by this process. Of immediate concern is that the close relationship between the management of these "state-owned" companies and local government is likely to suppress true private sector entrepreneurs.

A forthcoming law governing domestic investment may ease this but investment data shows that genuine private companies remain almost exclusively small-scale and only a few sectors, such as retailing, have seen rapid growth. Most foreign investors form joint-ventures with local companies but of the 780 investment approvals granted since 1988, only seven have involved private Vietnamese companies. Of these, three have been revoked.

Of the 200 priority projects drawn up by the government to attract foreign investment - ranging from food processing to heavy industry - none of the proposed Vietnamese counterpart companies is private sector.

Replacing the command economy, therefore, is an economic system which is far removed from the free-market ideal, with a relatively small number of politically influential enterprises - some of which appear to be well-run - dominating important business

Party membership is no longer seen as the only path to prosperity

## Communism losing its lustre

Their eyes flicking restlessly to and fro, the Hanoi monks at the Linh Mu pagoda are easily identified among the foreign tourists and Vietnamese souvenir hawkers on the banks of the Perfume River.

They are watching with good reason. In May, the dozen monks at this pagoda on the outskirts of the old imperial capital of Hue were at the centre of the most serious threat to the authority of the Vietnamese Communist Party for many years.

The trouble began when a man committed suicide at the temple by dousing himself with petrol and setting himself ablaze. The monks, belonging to the Unified Buddhist Church which has long resisted incorporation into the official church sanctioned by the government, said the devotee was a devout Buddhist; the authorities said he had problems with his wife.

When Thich Tri Tuu, the abbot, was taken away for questioning about the incident, about 1,000 people staged a demonstration on a bridge in the centre of Hue. A government spokesman said the party successfully rid Vietnam of the French and the Americans in the 1950s and the 1970s, the CPV can claim a measure of legitimacy and the support of much of the older generation for the one-party state.

But half the population is under 20, and young men and women have no memories of the French colonialism or the more recent war against the US and the south Vietnamese allies.

In Hanoi, the CPV has sought to boost its dwindling popularity among the young by promoting such activities as a beauty pageant in the opera house and a beer festival in the Vietnam-Russia Friendship Palace, but with the economy being liberalised to allow the establishment of foreign and local private companies, membership of the party is no longer seen as the only path to prosperity and influence.

This party's reputation, meanwhile, has been tarnished by the increased corruption that has accompanied economic reform and the leadership's inability to control its members in the provinces. When the communist people's committees in Ho Chi Minh City closed 44 of the city's 58 nightclubs this year, it emerged that the 14 remaining open were owned by the committee itself.

Whereas many young Vietnamese either ignore the party or want it to loosen its grip, its ageing supporters complain that some of the good aspects of communism - free education, for example - have been thrown out with the bad. Perhaps the best argument that the CPV makes to justify its continued dominance is that it can ensure stability during this hectic period of economic transformation. Vietnamese leaders say that the communist states of eastern Europe were wrong to allow democratisation before reforming their economies, since the resulting anarchy made the

introduction of coherent reforms all but impossible. Most Vietnamese and foreign business executives agree: the Vietnamese economy is growing fast to the benefit of the whole population.

The disputes in Vietnam about the direction and pace of reform will be discussed at a forthcoming party conference, and the fact that the meeting has been put back from December to January indicates the intensity of political manoeuvring within the party's ranks.

Coming in the middle of the



Dawson's office in Hanoi: foreign companies are eager to benefit from a relaxed investment climate. South Korea

sectors; the hotel industry, usually controlled by city or provincial people's committees, is one prominent example.

The government, which remains Communist in name, may struggle under the new system to achieve political objectives such as an equitable distribution of wealth. The lesson from Indonesia, for instance, is that politically

influential companies are reluctant tax payers and tend to hoard their riches while demanding business favours.

An impure free market system would also tend to localise wealth. Hanoi and Ho Chi Minh City prosper, but other urban centres such as Hue and Danang would fall further behind. On the macro-level, economic inefficiencies would

lead through to slower economic growth.

Neither is it the system envisaged by the Vietnamese officials who have backed the move to a free-market economy. As one official noted, "We are enjoying ourselves too soon, importing luxury cars when the people in the rural areas are still poor. We must try to bridge the gap."

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## VIETNAM III

## BANKING

## Resources lie thin on the ground



ANZ's Hanoi branch: foreign banks are deterred from lending more to domestic business because the legal system allowing recovery of bad loans is inadequate

The elegant facades of the commercial bank buildings in Ho Chi Minh City and the imposing exterior of the State Bank of Vietnam (SBV) in Hanoi provide the veneer every banking system requires: stability, respectability and wealth.

But it is not an image that springs to mind for most Vietnamese. Under the former Communist command economy, individuals were unable to hold bank accounts. Neither were private companies, as the concept of a private company was not tolerated.

Individuals and private businessmen either transferred their wealth into durables, such as gold, kept it in cash or deposited it with unauthorised, and often unscrupulous, financial businesses.

Transforming the banking sector so that it can sustain and facilitate a market economy is among the most daunting of the government's tasks.

The first step has been to hived off the separate lending divisions of the SBV into four state-owned commercial banks - the Industrial and Commercial Bank, the Vietnam Bank for Agriculture, the Foreign Trade Bank and the Bank for Investment and Development.

The SBV, therefore, now acts as a central bank, in charge of the sector's supervision and as facilitator of the government's monetary policy.

Ten foreign banks have been licensed to open branches, two joint ventures between foreign and domestic state-owned banks established and more than 20 "shareholding" banks created. The latter have a mixed ownership of state and private companies, co-operatives and individuals. Although most shareholding banks are majority owned by state institutions, businessmen regard them as private banks carrying no sovereign guarantee in the event of failure.

While private companies and individuals may now hold accounts, a director of a shareholding bank sounds a note of caution. "The banking system still isn't up to the development of the economy. It's the main obstacle," he says.

Vietnam lacks a sufficiently wide branch network and banks have yet to win the confidence of individuals and businesses. The scepticism of potential customers is justifiable, notes one local banker, who says banks face difficulties in performing the most basic transaction - allowing customers to withdraw cash.

The fault, he explains, lies in the government's policy of using physical cash as the main tool of its monetary policy. As a result, when the government wants to dampen

inflationary pressure, it does so principally by reducing cash in circulation, leading to a paucity of notes.

Understandably, many of the banks' customers demand a guarantee that payments made through the banking system can be withdrawn in cash.

This can only be guaranteed by passing the transaction through the SBV which has the sole authority to issue "cash-cheques". But the SBV will not issue a cash-cheque unless the money is being transferred to the SBV the payment in physical notes. "Sometimes, we cannot understand the way the State Bank of Vietnam does business," complains one local banker.

A former financial adviser to the government believes senior SBV officials, in spite of recent bank reforms, remain ignorant of how banks operate in a free-market economy. His advice for further reform, given with a wistful smile, is, "Pull out the governor (of the SBV)... He doesn't know banking".

Although other bankers point to the excellent record at

#### More domestic credit is needed but Vietnamese banks lack the basic skills for the task

controlling inflation of Cao Si Kiern, SBV governor, severe inadequacies in the sector need to be confronted.

The four state-owned banks, which at the end of 1992 had 36,000bn dong in assets, are burdened with non-performing loans and are poorly capitalised.

Donor officials say the proportion of the state-owned banks' non-performing loans has fallen from about 30 per cent of their portfolios in 1990 to about 12 per cent, after a concerted government drive to make state corporations current on loans, by selling assets if necessary.

But local bankers point out that the accounts of state-owned banks and enterprises are poor. More non-performing debt may come to light.

The banks' capitalisation is no better. A recent World Bank report estimated the state-owned banks' capital levels at less than 1 per cent of assets. The banks would require an injection of \$250m to bring them up to international capital adequacy standards, and a higher figure if they plan to increase lending.

Economic liberalisation should go hand-in-hand with a relatively fast expansion of domestic bank credit but Vietnamese banks lack the basic skills for the task.

A recent World Bank report notes: "There is as yet no loan classification system - neither in most of the individual banks (with the notable exception of the foreign and joint venture banks), nor even in the thinking of the regulatory authorities".

One step would be for foreign banks to fill the void until the domestic banks' skill levels have been improved. However, "there is an aversion among

#### The SBV faces a stiff challenge to keep pace with the rest of the economy

the foreign bankers to lend locally," says an Asian banker.

Foreign banks prefer "to pick off the short-term stuff, the trade finance," says a European banker. He says foreign banks would be willing to lend more to domestic business but the legal system allowing recovery of bad loans is inadequate.

The high tax structure for banks - a turnover tax of 4-15 per cent and a profits tax of 50 per cent of net income - also makes them wary of long-term, higher risk lending. Banks are encouraged to hold 30 per cent of deposits with the SBV at negligible or zero interest rates which, being well below the banks' average cost of funds, constitutes a further tax. As a result, banks operate on the thinnest of margins.

The agenda, therefore, for those seeking to reform the banking system is over-riding.

Given its staff's lack of experience, the SBV faces a stiff challenge to restructure the sector to keep pace with the rest of the economy. "The scale of the task 'scars the hell out of them' (the SBV)," says one foreign banker. "They know they're short on resources"

William Keeling

Along with its commitment to a free market, investors might have expected the Vietnamese government to undertake a programme to privatise state-owned enterprises.

But after expressions of intent in 1991 progress toward privatisation has been piecemeal. Companies that investors might wish to buy are not for sale and many of those on offer have been withdrawn.

The tale of two companies in Ho Chi Minh City - Saigon Brewery, Vietnam's dominant beer producer, and Legamex, a garment and footwear manufacturer - provide an insight into the operations of state industry and the obstacles to privatisation, or "equitisation", as the government call it.

Among the most striking aspects of economic liberalisation has been the energetic response of some state companies to greater competition. Production at Saigon Brewery, owned by the Ministry of Light Industry, has risen from 72m litres in 1981 to a forecast 110m litres this year, accounting for one-third of Vietnam's total beer production.

"It's the difference between a centralised economy and a market economy," says Ngoc Van Giau, the brewery's vice-director. It is also, he admits, the result of a \$23m programme to refurbish the plant.

A bottling line purchased from Germany and new fermentation equipment have reduced losses from 12 per cent of production to 1 per cent. The company financed the refurbishment from internal resources and is one of Vietnam's largest tax payers, Mr Giau says. Saigon Brewery expects to pay the state 542bn dong in taxes this year, up from 188bn dong in 1991.

How profitable the company is remains unclear. Its accounting system carries the legacy of the command economy with the emphasis on turnover. Salaries are paid according to production, not profitability.

Nguyen Xuan Oanh, a private sector economist, says the accounting method of state enterprises "is all wrong. Depreciation has never been taken into account". Nevertheless, most businessmen agree that Saigon Brewery would have to pour beer down the drain to lose money.

The industry has, not surprisingly, drawn the attention of foreign investors but the government has limited entry to the sector, described by Nguyen Mai, vice-chairman of the State Committee for Co-operation and Investment (SCCI),



State-owned Legamex's factory in Ho Chi Minh City: prospects for privatisation are receding

William Keeling looks at obstacles to privatisation

## Progress is patchy

as "extremely profitable".

While some early applicants received SGGI approval, further investment in the beer industry must now be vetted by the prime minister's office. As for Saigon Brewery, it is not on the list of companies waiting to be privatised. As Mr Giau explains, privatisation only "applies to businesses which are not profitable".

#### State employees in inefficient companies oppose privatisation for fear of losing their jobs

Legamex, on the other hand, is slated for privatisation and is touted as one of Vietnam's best managed state enterprises. Yet after two years of wearing the For Sale tag, the company remains in state hands and the prospects for privatisation are receding.

In a sprightly piece of research in 1991, Credit Lyonnais Securities described Legamex's garment operations as a "Win-Win" business. Since then, the company, which is owned by the Ho Chi Minh City Department of Light Industry, has suffered a serious setback with a tight export quota being placed on its principal product, jackets.

In 1992, Legamex exported 1.7m jackets to Germany; this year its quota for the entire European Union has been set at 475,000 pieces. The company, which also has embroidery and leather goods divisions, has tried to switch production to shirts but rows of sewing machines lie dormant.

"When the government informed us of the quota, we were very upset," says Nguyen Thi Son, Legamex chairman. The company, which had not anticipated the quota restrictions, found itself with excess stocks of materials and finished products.

Mrs Son is optimistic that the company will be privatised but problems remain. The most immediate is negotiation over a \$12m seven-year loan, taken in 1991, from International Investment Bank (IIB), a consortium of 12 banks from former eastern bloc countries.

Mrs Son believes a repayment of 40 cents to the dollar could be negotiated. But Legamex is one of six state companies with IIB loans and the government wishes to negotiate collective repayment at 20 cents to the dollar, she says. Legamex's interest payments on the loan totalled 12bn dong last year, reducing profits before tax to just 2bn dong on turnover of 126bn dong. The

company anticipates similar figures this year.

Given the small profit, foreign investors "are not interested in taking over the entire company. They're interested in taking over bits", leaving the loss making divisions in state ownership, says one European banker.

But the biggest obstacle to privatisation may be political. A recent press campaign, backed by government labour unions, has accused Legamex executives of corruption and nepotism. Businessmen in Ho Chi Minh City say Mrs Son's enthusiasm for privatisation is proving unpopular with local government officials.

"Privatisation was never going to be easy in this country," a banker explains. Opposition is in part ideological - some communist sentiment remains - but mostly springs from self-interest, he says.

State employees in inefficient companies oppose privatisation for fear of losing their jobs. At better-run enterprises, managers and workers are benefiting from the profits - either through official profit-sharing schemes, or by means of unofficial payments. They feel privatisation would dilute their income. Few companies, therefore, are willing to leave the state's embrace.

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#### The SBV faces a stiff challenge to keep pace with the rest of the economy

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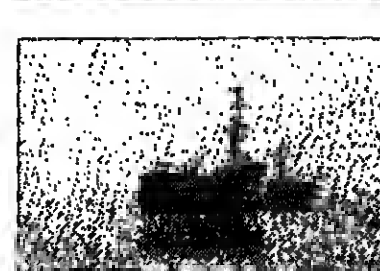


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## VIETNAM IV



Rural Vietnam offers vastly different fare from well-trodden destinations elsewhere in Asia



For the hardy traveller only, transport is made difficult by the appalling state of roads and ageing European vehicles

Mark Graham voices concern about the rush to develop tourism

## Instant dollars a threat

From now, infrastructure to sustain tourism in the long term. But evidence suggests that the immediate need for foreign exchange will overrule most of these considerations and rapidly lead to the production of familiar touristic eyesores.

After years of isolation, it is only during the past three years that Vietnam has welcomed foreigners with open arms, and even then it has directed them to a relatively small number of destinations such as Ho Chi Minh City, Hanoi and Ha Long Bay. Nevertheless officials claim that more than 500,000 tourists will visit Vietnam in 1993 generating more than \$200m in foreign earnings.

The attractions are obvious - a little visited country with a fascinating past, areas of great scenic beauty, the romance of

an Asia still living in the past and an excellent and varied cuisine. And it is cheap.

For the hardy traveller, prepared for the unexpected and the stimulus of exotic adventure, Vietnam offers vastly different fare from the predictability of well-trodden destinations elsewhere in Asia.

With the exception of Ho Chi Minh City and Hanoi, decent hotel accommodation is in short supply.

Transport is made difficult by the appalling state of roads and railways which have suffered from 50 years of war and

neglect. A limited number of vehicles are available for hire and the public transport system creaks under the combined weight of humanity and the inheritance of ageing eastern European trucks and buses and still older vehicles left by the Americans in the 1970s.

In an effort to conserve the environment and offer more exotic destinations to visitors, the government is looking at national parks and wildlife sanctuaries to see if they can be sensibly exploited.

Some of these areas, such as Nam Cat Tien, where a small

number of Javan rhinos roam a lowland swamp forest reserve 150km north of Ho Chi Minh City, will remain off-limits. Others, such as Cat Ba Island in Ha Long Bay offer immediate opportunities for small groups intent on adventure and exploration.

Ha Long Bay has long been considered one of the world's most spectacular seascapes. Hundreds of limestone islands, reminiscent of a Chinese landscape painting from Gwailin, emerge suddenly offshore from the flat Red River delta. Stretching more than 150km,

the area is populated with hundreds of small fishing villages (and smugglers' plying their trade between Hainan Island and the Vietnamese mainland). Among the many motorised fishing vessels it is still possible to admire the graceful shape of a junk slowly wending her way through the maze of inlets and islands. For the most part uninhabited, many of the islands offer pristine beaches and countless unexplored caves.

Cat Ba, the largest, covers more than 150 sq km with its rugged limestone hills and

heavily forested valleys. Part of the island is a national park, home to the rare golden-headed langur monkey, numerous birds, the flora of evergreen tropical forests and a multitude of exotic butterflies.

The forestry department's headquarters provides simple accommodation for about 30 people. Other "diversions" include visits to ancient fishing villages and enjoyment of plentiful fresh seafood.

Although few organised tours exist to the more inaccessible parts of Vietnam, the department of ecotourism at the University of Hanoi will organise small group expeditions, obtaining the necessary provincial permits and providing transport and guides.

Tourism offers instant dollars but it is hard to determine

where this fits into overall government policy of trying to feed one of the most densely populated and poorest countries in the world.

The arrival of multinational hotel chains, the sale of land concessions to foreigners for the construction of golf courses and an increasing mass of ignorant tourists suggest that the heroic discipline, which served the Vietnamese so well throughout two anti-colonial wars has deserted them.

Idyllic though Vietnam may now be, the temptations of easy wealth will ensure that today's unspoiled land will soon become another case of too much too quickly.

Mark Graham is a Bangkok-based naturalist and business consultant who has co-authored books on the national parks and wildlife of Thailand.

Iain Simpson examines the government's plans to exploit its oil and gas fields

## Tapping into undeveloped reserves

As its joint oil venture with the former Soviet Union lurches from one crisis to another, Vietnam is looking at ways of making more money out of its oil and gas reserves.

The government's priority is to recover the gas now being flared off by VietSovPetro, the joint venture between Hanoi and Moscow. Plans to exploit gas from undeveloped fields are also being assessed and exploration contracts will soon be let on other areas.

The Australian company, BHP Petroleum, has struck oil

date and the oil reservoir is not being properly conserved by VietSovPetro. Indeed, PetroVietnam has just let two contracts - one for reservoir management and one for rig maintenance - to foreign companies. These tasks are normally carried out by the company drilling the wells.

A proposal to recover gas from the Bach Ho field has also been put out to tender and British Gas, one of the companies bidding for the scheme, believes there is a large untapped market for gas in Vietnam.

The project is split into two phases: under the "fast track" phase one, an underwater pipeline will bring the gas onshore near the south-eastern port city of Vung Tau. Five foreign engineering consortiums have bid for this \$100m-\$150m contract and the tenders are to be examined by the middle of next month.

Phase two involves an expansion of the pipeline capacity from phase one and the construction of an LPG plant. Industry sources say that three foreign consortiums have bid for this second phase of the project, worth \$400m.

At least one of these bids has been in since June and the bidders are pushing the government to make an early decision, saying that otherwise the reserves will continue to diminish as they are flared.

Hanoi is also keen to discover and exploit other potential reservoirs of gas offshore and is seeking bids from companies to exploit gas reserves in offshore blocks which are now being drilled for oil.

The gas pumped ashore by the phase one pipeline, which Hanoi hopes will be completed by the end of next year, will be used mainly to generate electricity at a power station near Vung Tau. Industry sources say the turbines, now powered by imported fuel oil, can easily be adapted to use natural gas.

There is currently almost no domestic market for gas in Vietnam, except for a small offshore field in the north, used for electricity generation and piped to a ceramics factory.

British Gas, which leads one of the consortia bidding for

the south, particularly in Ho Chi Minh City. However, the government is spending \$500m on a north-south power line to carry excess electricity from north to south and may not welcome attempts by foreign companies to promote alternative sources of power.

After a gap of 15 years, a team from Mobil is back in Vietnam, led by regional vice-president Bob Aberbach. The company has bid for a production-sharing contract on the Blue Dragon field, which will soon be awarded by the

state oil and gas corporation. At the time of writing, the US trade embargo against Vietnam prevents American companies from doing most kinds of business in the country but, under the recently relaxed rules of the embargo, American oil companies can go a long way towards exploring potential fields. "We can sign production-sharing contracts, carry out exploration, drilling and appraisal drilling, which is the first stage in any production-sharing programme," Mr Aberbach said.

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British Gas believes there is a large market for gas in Vietnam that has not yet been tapped

In the Dai Hung (Big Bear) field it is drilling off the south-east coast of Vietnam. BHP officials say their floating production system means the find can be exploited soon - certainly by the middle of 1994.

BHP estimates recoverable reserves in the field at 7,500m barrels of oil. The company also says 3-3,000m cubic feet of gas exists in Dai Hung. The gas from Dai Hung will not be piped out until well into next year but the state oil company, PetroVietnam, is pursuing ways of recovering gas from the Bach Ho (White Tiger) field, the only Vietnamese field from which oil is now being pumped.

Bach Ho was discovered by Mobil in January, 1976, but three months later the company was forced to abandon its drilling rigs and flee the country in the face of the advancing North Vietnamese troops. Two years later, Vietnam established its own state oil company, PetroVietnam.

In 1981, the state company set up a joint venture with the Soviet Union, VietSovPetro and three years later the first oil was pumped out of Mobil's field. Since then, VietSovPetro has been draining the reserves at Bach Ho and flaring off the associated gas. It is producing 130,000 barrels a day.

Critics in the oil industry say the Soviet technology is out of

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## VIETNAM V

Victor Mallet looks at the obstacles to doing business in Vietnam

## Patience an essential tool

The physical difficulties of doing business in Vietnam are being eased but the bureaucratic, legal and political obstacles to securing a successful deal remain almost as formidable as ever.

Those who arrived in Vietnam immediately after the enactment of the country's first foreign investment law in December 1987 had to overcome the most basic transport and communications problems. Many of these have been resolved. Taxis now circulate in the capital Hanoi and in Ho Chi Minh City, the southern commercial centre formerly called Saigon, international direct dialling is available from even modest hotels; frequent international flights connect both cities and Vietnam Airlines has added leased Airbus, Boeing and ATR aircraft to its ageing Soviet fleet for both domestic and foreign routes.

Multilateral and bilateral donors, such as the World Bank, the Asian Development Bank and the Japanese government, are starting the task of repairing and upgrading roads, ports and other infrastructure left in a sorry state by decades of war and communist rule.

But Vietnam's policy of *doi moi* (renovation) – its equivalent of *perestroika* – and the government's official adoption of free-market economics has not eased problems for foreign

investors. Some companies have abandoned their projects after months of frustrating negotiations.

The experience of the first five years of foreign investment in Vietnam suggests that the principal obstacles to sealing an agreement are frequent conflicts between the central and local governments with their own agendas. "The

The central government is acutely aware of the threat to foreign investment posed by free wheeling local officials

power of the emperor ends at the village gate," is an old saying that has become increasingly popular among Vietnamese and foreign executives in recent months.

A local communist people's committee will usually try to ensure that one of its own subsidiaries is the partner in a joint venture with a foreign company, or it will want to charge for the lease of state land above the limits set by Hanoi; the people's committees

vet project proposals in their territory and are therefore both players and referees.

The central government is acutely aware of the threat to foreign investment posed by free wheeling local officials and is trying to reimpose its authority on the provinces. "The decision-maker must be the central government," says Nguyen Mai, vice-chairman of the State Committee for Co-operation and Investment.

Meanwhile prospective investors must ensure that their negotiations with the central and local authorities are heading in the same direction; approval from Hanoi is of little benefit if the people's committee in Ho Chi Minh City where your factory is located is going to make life difficult.

Investors planning to export what they produce and with no need of a local distribution network often opt for 100 per cent foreign ownership.

Others usually take the easy way out and form a joint venture with a local government enterprise or with a company controlled by the relevant national ministry. There are several significant

risks attached to doing business in Vietnam besides the uneasy relationship between Hanoi and the regions.

The legal system is rudimentary, and the influence of your contacts or partners is more important than the application of laws – if there is one to cover your particular situation. The government plans to introduce a bankruptcy law and improve commercial contract law, but for now disputes are referred to local arbitration panels which have no powers of enforcement.

Even the foreign investment law contains internal contradictions. It includes guarantees against nationalisation, but amendments introduced last year suggest that Vietnamese companies have the right to buy into the foreign share of a joint venture in "important economic sectors". Foreign lawyers urge investors to ensure their agreement states that the business is not "important".

Investors are also advised to insist on the right to hire their employees directly rather than through a government agency. Another concern for both for-

eigners and Vietnamese is the confused and apparently arbitrary tax system, which includes a turnover tax on business, personal income tax of up to 50 per cent, a complex import tariff scale and local taxes. Again there is a lack of co-ordination between the centre and the regions, with different provinces making different demands on taxpayers.

A high-profile campaign to eradicate corrupt practices has been launched, but bribery remains common

One irritating if understandable countryside feature of life in Vietnam is dual pricing. Foreigners pay between two and 10 times as much as Vietnamese for services ranging from domestic flights to access to ancient monuments.

Corruption is widespread. The government has launched a high-profile campaign in an attempt to eradicate corrupt practices, but bribery remains common both for petty transactions such as visa applica-

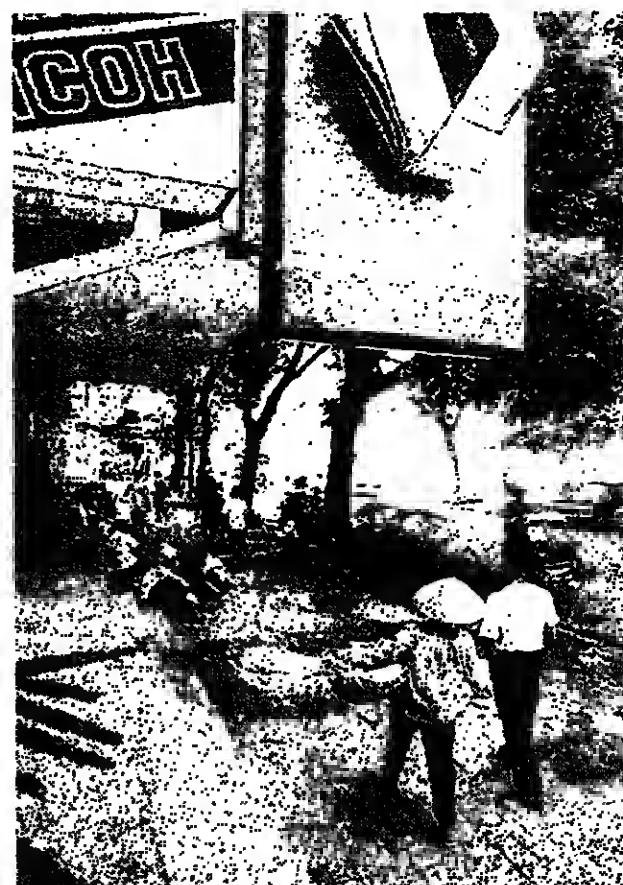
tions and in business dealings. For example, one foreign businessman said it was normal to over-invoice the health ministry for pharmaceutical supplies, with the difference between the actual cost and the invoice total going to ministry officials.

As a Vietnamese banker points out, corruption is unlikely to disappear when civil servants with nominal salaries of \$20 or so a month are overseeing \$1m contracts.

Lastly, the banking and accounting systems in Vietnam are rudimentary. Cash dollars and dong, the Vietnamese currency, are both used freely in urban areas and it is not difficult at present to obtain foreign exchange. But personal cheques for domestic accounts do not yet exist; most employees are paid in cash.

Many of the problems detailed above are the inevitable result of Vietnam's rapid switch-over from a Soviet-style command economy to a free market system requiring new regulations which have yet to be enacted; others are common to fast-growing economies elsewhere in Asia, such as Indonesia and Thailand.

If the Vietnamese government succeeds in pushing the necessary legislation through the National Assembly and in enforcing the laws thereafter, the investment climate in Vietnam will be much improved.



Renault's Hanoi office: government's adoption of free market economics has not eased problems for foreign investors

## Business guide

## Getting there

Vietnam is served by an increasing number of international and regional airlines, including Air France, Lufthansa and KLM. Visa and entry formalities are generally straightforward, although visitors are sometimes presented with an extra "application to enter" form at the airport which requires a passport-sized photograph.

## Currency

Visa and Mastercard – but not American Express – can be used at major hotels; the US economic embargo excludes the use of any credit cards and travellers cheques issued by US banks.

It is advisable to take a substantial amount of US dollars in cash for transport and accommodation, especially if you are travelling in the provinces.

Theft and other crimes are on the increase, especially in Vung Tau and Ho Chi Minh City in the south.

## Information

Commercial and economic information in English is widely available inside Vietnam, but the local press is not free and the best coverage of political developments is in the foreign media. The official Vietnam News, a four-page newspaper in English, is published daily.

The weekly Vietnam Investment Review has comprehensive coverage of economic news. Vietnam Economic Times, a monthly English language version of the Vietnamese weekly of the same name, is expected to be available from March next year.

English is the language of business, although some older people speak French and Vietnam's communist heritage has given the country many Russian and German speakers.

## Accommodation

New hotels are under construction in large towns, but first-class hotels still tend to be full. Book well in advance and confirm the reservation. Those planning a longer stay will find housing can be extraordinarily expensive for foreigners.

## The south

In Ho Chi Minh City (Saigon), leading hotels include Century Saigon (\$110 to \$475 per night, tel (84 8) 231818, fax 292732); Saigon Floating Hotel (\$130 to \$425, tel 290783, fax 290784); and Continental (\$80 to \$176, tel 292901, fax 290836).

A favourite for connoisseurs of kitsch is the Rex (\$59 to \$198, tel 292186, fax 296536), with its rooftop garden complete with rotating illuminated crown. Another hotel with a pleasant rooftop bar – if you don't mind the odd rat – is the Majestic (\$45 to \$140, tel 296515, fax 291470) by the river.

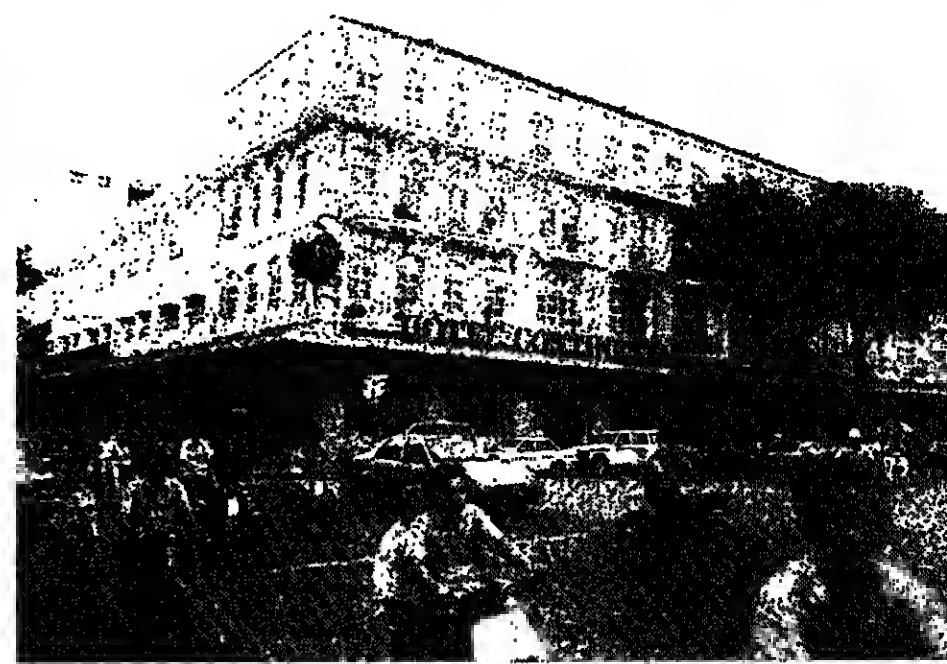
Saigon has a growing number of restaurants and bars, including the pub on the top floor of the Dragon Inn – a mock-Elizabethan mini-sky-scraper near the river – modern bars with war-nostalgia names such as Apocalypse Now, and French establishments such as La Cigale.

La Bibliotheque de Madame Dai, a law library converted into a restaurant, is still going strong under Madame Dai herself. It is better known for its traditional music and dancing displays than for its cuisine.

It is worth visiting the tunnels at Cu Chi used by Vietnamese guerrillas during the war and to the Great Temple of the Cao Dai religion (prophecy include Lenin, Jesus, Mohammed, Shakespeare and Victor Hugo).

## North and centre

The leading hotel in Hanoi is the elegant Sofitel Metropole (\$139 to \$284, tel (84 4) 269819, fax 269820). Others include the



The Hotel Continental, Ho Chi Minh City: it is best to book well in advance and confirm reservations



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Trust Name	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	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## AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (771) 673-4378 for more details.

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**Guide to pricing of Authorised Unit Trusts**  
Compiled with the assistance of Lauro SS

**INITIAL CHARGE:** Charge made on sale of unit. Used to defray shipping and administrative costs. According to convention paid to intermediaries. This charge is included in list price.

**OFFER PRICE:** Also called best price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. This price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The minimum spread between the offer price and bid price is determined by a "cancellation" paid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is close but above the cancellation price. However, the bid price might be moved to the cancellation price if there is a large number of units tendered in circumstances in which there is a large number of orders of units over bid.

**HISTORICAL PRICING:** The letter if done well, the manager will normally show on the order set on the most recent order. The prices shown are the latest available before the order is placed. The manager will be able to write because of the increasing particle resolution as it shifts to a forward pricing basis. The manager must deal at a forward price on request, and may move to forward pricing at his time.

**FORWARD PRICING:** The letter if done well, the manager will at this price to be set on the most recent, forward price to be shown on the order set. The manager will be able to write because of the increasing particle resolution as it shifts to a forward pricing basis. The manager must deal at a forward price on request, and may move to forward pricing at his time.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

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ST. JAMES'S PLACE, 117, 119, 121, 123, 125, 127, 129, 131, 133, 135, 137, 139, 141, 143, 145, 147, 149, 151, 153, 155, 157, 159, 161, 163, 165, 167, 169, 171, 173, 175, 177, 179, 181, 183, 185, 187, 189, 191, 193, 195, 197, 199, 201, 203, 205, 207, 209, 211, 213, 215, 217, 219, 221, 223, 225, 227, 229, 231, 233, 235, 237, 239, 241, 243, 245, 247, 249, 251, 253, 255, 257, 259, 261, 263, 265, 267, 269, 271, 273, 275, 277, 279, 281, 283, 285, 287, 289, 291, 293, 295, 297, 299, 301, 303, 305, 307, 309, 311, 313, 315, 317, 319, 321, 323, 325, 327, 329, 331, 333, 335, 337, 339, 341, 343, 345, 347, 349, 351, 353, 355, 357, 359, 361, 363, 365, 367, 369, 371, 373, 375, 377, 379, 381, 383, 385, 387, 389, 391, 393, 395, 397, 399, 401, 403, 405, 407, 409, 411, 413, 415, 417, 419, 421, 423, 425, 427, 429, 431, 433, 435, 437, 439, 441, 443, 445, 447, 449, 451, 453, 455, 457, 459, 461, 463, 465, 467, 469, 471, 473, 475, 477, 479, 481, 483, 485, 487, 489, 491, 493, 495, 497, 499, 501, 503, 505, 507, 509, 511, 513, 515, 517, 519, 521, 523, 525, 527, 529, 531, 533, 535, 537, 539, 541, 543, 545, 547, 549, 551, 553, 555, 557, 559, 561, 563, 565, 567, 569, 571, 573, 575, 577, 579, 581, 583, 585, 587, 589, 591, 593, 595, 597, 599, 601, 603, 605, 607, 609, 611, 613, 615, 617, 619, 621, 623, 625, 627, 629, 631, 633, 635, 637, 639, 641, 643, 645, 647, 649, 651, 653, 655, 657, 659, 661, 663, 665, 667, 669, 671, 673, 675, 677, 679, 681, 683, 685, 687, 689, 691, 693, 695, 697, 699, 701, 703, 705, 707, 709, 711, 713, 715, 717, 719, 721, 723, 725, 727, 729, 731, 733, 735, 737, 739, 741, 743, 745, 747, 749, 751, 753, 755, 757, 759, 761, 763, 765, 767, 769, 771, 773, 775, 777, 779, 781, 783, 785, 787, 789, 791, 793, 795, 797, 799, 801, 803, 805, 807, 809, 811, 813, 815, 817, 819, 821, 823, 825, 827, 829, 831, 833, 835, 837, 839, 841, 843, 845, 847, 849, 851, 853, 855, 857, 859, 861, 863, 865, 867, 869, 871, 873, 875, 877, 879, 881, 883, 885, 887, 889, 891, 893, 895, 897, 899, 901, 903, 905, 907, 909, 911, 913, 915, 917, 919, 921, 923, 925, 927, 929, 931, 933, 935, 937, 939, 941, 943, 945, 947, 949, 951, 953, 955, 957, 959, 961, 963, 965, 967, 969, 971, 973, 975, 977, 979, 981, 983, 985, 987, 989, 991, 993, 995, 997, 999, 1001, 1003, 1005, 1007, 1009, 1011, 1013, 1015, 1017, 1019, 1021, 1023, 1025, 1027, 1029, 1031, 1033, 1035, 1037, 1039, 1041, 1043, 1045, 1047, 1049, 1051, 1053, 1055, 1057, 1059, 1061, 1063, 1065, 1067, 1069, 1071, 1073, 1075, 1077, 1079, 1081, 1083, 1085, 1087, 1089, 1091, 1093, 1095, 1097, 1099, 1101, 1103, 1105, 1107, 1109, 1111, 1113, 1115, 1117, 1119, 1121, 1123, 1125, 1127, 1129, 1131, 1133, 1135, 1137, 1139, 1141, 1143, 1145, 1147, 1149, 1151, 1153, 1155, 1157, 1159, 1161, 1163, 1165, 1167, 1169, 1171, 1173, 1175, 1177, 1179, 1181, 1183, 1185, 1187, 1189, 1191, 1193, 1195, 1197, 1199, 1201, 1203, 1205, 1207, 1209, 1211, 1213, 1215, 1217, 1219, 1221, 1223, 1225, 1227, 1229, 1231, 1233, 1235, 1237, 1239, 1241, 1243, 1245, 1247, 1249, 1251, 1253, 1255, 1257, 1259, 1261, 1263, 1265, 1267, 1269, 1271, 1273, 1275, 1277, 1279, 1281, 1283, 1285, 1287, 1289, 1291, 1293, 1295, 1297, 1299, 1301, 1303, 1305, 1307, 1309, 1311, 1313, 1315, 1317, 1319, 1321, 1323, 1325, 1327, 1329, 1331, 1333, 1335, 1337, 1339, 1341, 1343, 1345, 1347, 1349, 1351, 1353, 1355, 1357, 1359, 1361, 1363, 1365, 1367, 1369, 1371, 1373, 1375, 1377, 1379, 1381, 1383, 1385, 1387, 1389, 1391, 1393, 1395, 1397, 1399, 1401, 1403, 1405, 1407, 1409, 1411, 1413, 1415, 1417, 1419, 1421, 1423, 1425, 1427, 1429, 1431, 1433, 1435, 1437, 1439, 1441, 1443, 1445, 1447, 1449, 1451, 1453, 1455, 1457, 1459, 1461, 1463, 1465, 1467, 1469, 1471, 1473, 1475, 1477, 1479, 1481, 1483, 1485, 1487, 1489, 1491, 1493, 1495, 1497, 1499, 1501, 1503, 1505, 1507, 1509, 1511, 1513, 1515, 1517, 1519, 1521, 1523, 1525, 1527, 1529, 1531, 1533, 1535, 1537, 1539, 1541, 1543, 1545, 1547, 1549, 1551, 1553, 1555, 1557, 1559, 1561, 1563, 1565, 1567, 1569, 1571, 1573, 1575, 1577, 1579, 1581, 1583, 1585, 1587, 1589, 1591, 1593, 1595, 1597, 1599, 1601, 1603, 1605, 1607, 1609, 1611, 1613, 1615, 1617, 1619, 1	
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Life Insurance Companies - Cont.									
Company Name	Address	Phone	Telex	Fax	Website	Capital	Assets	Liabilities	Reserves
ABC Life Insurance Co.	123 Main St, New York, NY 10001	(212) 555-1234	1234567	1234567	www.abc-life.com	\$100M	\$500M	\$200M	\$150M
DEF Life Insurance Co.	456 Main St, New York, NY 10002	(212) 555-5678	2345678	2345678	www.def-life.com	\$200M	\$1000M	\$400M	\$300M
GHI Life Insurance Co.	789 Main St, New York, NY 10003	(212) 555-9012	3456789	3456789	www.ghi-life.com	\$300M	\$1500M	\$600M	\$450M
JKL Life Insurance Co.	101 Main St, New York, NY 10004	(212) 555-3456	4567890	4567890	www.jkl-life.com	\$400M	\$2000M	\$800M	\$600M
MNO Life Insurance Co.	202 Main St, New York, NY 10005	(212) 555-7890	5678901	5678901	www.mno-life.com	\$500M	\$2500M	\$1000M	\$750M
PQR Life Insurance Co.	303 Main St, New York, NY 10006	(212) 555-2345	6789012	6789012	www.pqr-life.com	\$600M	\$3000M	\$1200M	\$900M
STU Life Insurance Co.	404 Main St, New York, NY 10007	(212) 555-6789	7890123	7890123	www.stu-life.com	\$700M	\$3500M	\$1400M	\$1050M
VWX Life Insurance Co.	505 Main St, New York, NY 10008	(212) 555-0123	8901234	8901234	www.vwx-life.com	\$800M	\$4000M	\$1600M	\$1200M
YZA Life Insurance Co.	606 Main St, New York, NY 10009	(212) 555-4567	9012345	9012345	www.yza-life.com	\$900M	\$4500M	\$1800M	\$1350M
BCD Life Insurance Co.	707 Main St, New York, NY 10010	(212) 555-8901	0123456	0123456	www.bcd-life.com	\$1000M	\$5000M	\$2000M	\$1500M
EFG Life Insurance Co.	808 Main St, New York, NY 10011	(212) 555-2345	1234567	1234567	www.efg-life.com	\$1100M	\$5500M	\$2200M	\$1650M
HIJ Life Insurance Co.	909 Main St, New York, NY 10012	(212) 555-6789	2345678	2345678	www.hij-life.com	\$1200M	\$6000M	\$2400M	\$1800M
KLM Life Insurance Co.	1010 Main St, New York, NY 10013	(212) 555-0123	3456789	3456789	www.klm-life.com	\$1300M	\$6500M	\$2600M	\$1950M
NOP Life Insurance Co.	1111 Main St, New York, NY 10014	(212) 555-4567	4567890	4567890	www.nop-life.com	\$1400M	\$7000M	\$2800M	\$2100M
QRS Life Insurance Co.	1212 Main St, New York, NY 10015	(212) 555-8901	5678901	5678901	www.qrs-life.com	\$1500M	\$7500M	\$3000M	\$2250M
TUV Life Insurance Co.	1313 Main St, New York, NY 10016	(212) 555-2345	6789012	6789012	www.tuv-life.com	\$1600M	\$8000M	\$3200M	\$2400M
WXY Life Insurance Co.	1414 Main St, New York, NY 10017	(212) 555-6789	7890123	7890123	www.wxy-life.com	\$1700M	\$8500M	\$3400M	\$2550M
ZAB Life Insurance Co.	1515 Main St, New York, NY 10018	(212) 555-0123	8901234	8901234	www.zab-life.com	\$1800M	\$9000M	\$3600M	\$2700M
ACD Life Insurance Co.	1616 Main St, New York, NY 10019	(212) 555-4567	9012345	9012345	www.acd-life.com	\$1900M	\$9500M	\$3800M	\$2850M
DEF Life Insurance Co.	1717 Main St, New York, NY 10020	(212) 555-8901	0123456	0123456	www.def-life.com	\$2000M	\$10000M	\$4000M	\$3000M
GHI Life Insurance Co.	1818 Main St, New York, NY 10021	(212) 555-2345	1234567	1234567	www.ghi-life.com	\$2100M	\$10500M	\$4200M	\$3150M
JKL Life Insurance Co.	1919 Main St, New York, NY 10022	(212) 555-6789	2345678	2345678	www.jkl-life.com	\$2200M	\$11000M	\$4400M	\$3300M
MNO Life Insurance Co.	2020 Main St, New York, NY 10023	(212) 555-0123	3456789	3456789	www.mno-life.com	\$2300M	\$11500M	\$4600M	\$3450M
PQR Life Insurance Co.	2121 Main St, New York, NY 10024	(212) 555-4567	4567890	4567890	www.pqr-life.com	\$2400M	\$12000M	\$4800M	\$3600M
STU Life Insurance Co.	2222 Main St, New York, NY 10025	(212) 555-8901	5678901	5678901	www.stu-life.com	\$2500M	\$12500M	\$5000M	\$3750M
VWX Life Insurance Co.	2323 Main St, New York, NY 10026	(212) 555-2345	6789012	6789012	www.vwx-life.com	\$2600M	\$13000M	\$5200M	\$3900M
YZA Life Insurance Co.	2424 Main St, New York, NY 10027	(212) 555-6789	7890123	7890123	www.yza-life.com	\$2700M	\$13500M	\$5400M	\$4050M
BCD Life Insurance Co.	2525 Main St, New York, NY 10028	(212) 555-0123	8901234	8901234	www.bcd-life.com	\$2800M	\$14000M	\$5600M	\$4200M
EFG Life Insurance Co.	2626 Main St, New York, NY 10029	(212) 555-4567	9012345	9012345	www.efg-life.com	\$2900M	\$14500M	\$5800M	\$4350M
HIJ Life Insurance Co.	2727 Main St, New York, NY 10030	(212) 555-8901	0123456	0123456	www.hij-life.com	\$3000M	\$15000M	\$6000M	\$4500M
KLM Life Insurance Co.	2828 Main St, New York, NY 10031	(212)							



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## JERSEY REGULATED

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Unit Period:	Unit Period:
1972.75	14.20
1973.75	13.50
1974.75	13.50
1975.75	13.50
1976.75	13.50
1977.75	13.50
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1. **NAME**  
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 3. **CITY**  
 4. **STATE**  
 5. **ZIP**  
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 7. **TELETYPE**  
 8. **FAX**  
 9. **E-MAIL**  
 10. **WEBSITE**  
 11. **INDUSTRY**  
 12. **PRODUCTS**  
 13. **SERVICES**  
 14. **MARKETING**  
 15. **SALES**  
 16. **FINANCE**  
 17. **OPERATIONS**  
 18. **TECHNOLOGY**  
 19. **ENVIRONMENT**  
 20. **LEGAL**  
 21. **COMPLIANCE**  
 22. **GOVERNANCE**  
 23. **RESEARCH**  
 24. **DEVELOPMENT**  
 25. **MANUFACTURING**  
 26. **LOGISTICS**  
 27. **TRANSPORTATION**  
 28. **INFRASTRUCTURE**  
 29. **ENERGY**  
 30. **WATER**  
 31. **WASTE**  
 32. **CLIMATE**  
 33. **ENVIRONMENTAL**  
 34. **REGULATORY**  
 35. **STAKEHOLDERS**  
 36. **COMMUNICATIONS**  
 37. **RELATIONS**  
 38. **REPUTATION**  
 39. **CRISIS**  
 40. **RESILIENCE**  
 41. **INTEGRITY**  
 42. **ETHICS**  
 43. **VALUES**  
 44. **MISVISION**  
 45. **GOALS**  
 46. **OBJECTIVES**  
 47. **STRATEGIES**  
 48. **TACTICS**  
 49. **TOOLS**  
 50. **TECHNIQUES**  
 51. **PROCEDURES**  
 52. **SYSTEMS**  
 53. **SOFTWARE**  
 54. **HARDWARE**  
 55. **NETWORKS**  
 56. **SECURITY**  
 57. **PERFORMANCE**  
 58. **QUALITY**  
 59. **EFFICIENCY**  
 60. **EFFECTIVENESS**  
 61. **IMPACT**  
 62. **CONTRIBUTION**  
 63. **VALUE**  
 64. **PROFIT**  
 65. **GROWTH**  
 66. **INNOVATION**  
 67. **ADAPTABILITY**  
 68. **AGILITY**  
 69. **RESILIENCE**  
 70. **TRANSFORMABILITY**  
 71. **EVOLVABILITY**  
 72. **SCALABILITY**  
 73. **EXTENSIBILITY**  
 74. **MODULARITY**  
 75. **INTEROPERABILITY**  
 76. **COMPATIBILITY**  
 77. **INTEGRATION**  
 78. **COOPERATION**  
 79. **COLLABORATION**  
 80. **COORDINATION**  
 81. **SYNCHRONIZATION**  
 82. **ALIGNMENT**  
 83. **CONCURRENCE**  
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US INDICES									
	Nov 29	Nov 28	Nov 27	High	Low	Nov 29	Nov 28	Nov 27	High
Dow Jones	3583.95	3687.58	3674.17	3718.77	3641.55	3718.77	3641.55	3718.77	3641.55
Industrials	1069.55	1067.58	1067.17	1071.81	1061.15	1071.81	1061.15	1071.81	1061.15
Home Bldgs	368.95	368.53	368.17	368.77	367.55	368.77	367.55	368.77	367.55
Transport	1738.65	1711.04	1693.31	1729.95	1653.84	1729.95	1653.84	1729.95	1653.84
Utilities	273.20	273.34	273.55	273.45	273.15	273.45	273.15	273.45	273.15
DJ Ind. Div's High (1979-84) Low (1979-84)	3687.58 (1979-84)	3674.17 (1979-84)	3674.17 (1979-84)	3718.77 (1979-84)	3641.55 (1979-84)	3718.77 (1979-84)	3641.55 (1979-84)	3718.77 (1979-84)	3641.55 (1979-84)
Standard and Poors	453.05	452.35	451.01	453.05	450.55	453.05	450.55	453.05	450.55
Composites	535.87	535.97	534.42	535.87	534.42	535.87	534.42	535.87	534.42
Industrials	43.27	43.24	43.08	43.27	42.88	43.27	42.88	43.27	42.88
NYSE Comp.	258.81	258.13	254.24	258.81	254.24	258.81	254.24	258.81	254.24
Amex. Ind. Div.	453.47	453.51	451.84	453.47	451.84	453.47	451.84	453.47	451.84
NASDAQ Comp	754.87	753.10	745.82	754.87	745.82	754.87	745.82	754.87	745.82
■ RATIOS									
Dow Jones Ind. Div. Yield	2.71	2.71	2.71	2.71	2.71	2.71	2.71	2.71	2.71
S & P Ind. Div. Yield	2.40	2.38	2.40	2.40	2.38	2.40	2.38	2.40	2.38
S & P Ind. P/E ratio	27.14	26.98	26.98	27.14	26.98	27.14	26.98	27.14	26.98
■ STANDARD AND POORS 500 INDEX									
Dec	483.10	484.20	+1.85	484.50	481.05	13.495	185.857		
Mar	483.10	484.20	+1.85	484.50	481.05	13.495	185.857		
Jun	483.10	484.20	+1.85	484.50	481.05	13.495	185.857		
Sep	483.10	484.20	+1.85	484.50	481.05	13.495	185.857		
Open interest, figures are for previous day.									
■ NEW YORK ACTIVE STOCKS									
Price	2,610.00	2,610.00	+1.00	2,610.00	2,610.00	2,610.00	2,610.00	2,610.00	2,610.00
Volume	1,791,000	1,791,000	794	1,791,000	1,791,000	1,791,000	1,791,000	1,791,000	1,791,000
NYSE	1,211,000	1,211,000	55	1,211,000	1,211,000	1,211,000	1,211,000	1,211,000	1,211,000
Amex	1,655,500	1,655,500	539	1,655,500	1,655,500	1,655,500	1,655,500	1,655,500	1,655,500
NYSE	1,058,000	1,058,000	514	1,058,000	1,058,000	1,058,000	1,058,000	1,058,000	1,058,000
NYSE	844,100	844,100	55	844,100	844,100	844,100	844,100	844,100	844,100
NYSE	824,300	824,300	7	824,300	824,300	824,300	824,300	824,300	824,300
NYSE	857,100	857,100	44	857,100	857,100	857,100	857,100	857,100	857,100
NYSE	875,300	875,300	29	875,300	875,300	875,300	875,300	875,300	875,300
NYSE	872,100	872,100	44	872,100	872,100	872,100	872,100	872,100	872,100
■ TRADING ACTIVITY									
Volume (mln)	Nov 28	Nov 27	Nov 2						

**The U.S. Communications industry is currently the largest and most advanced in the world. The changes happening now will have implications for the entire world. This survey will therefore be essential reading for key decision makers in over 160 countries worldwide.**

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Long	Short	Percent	Dec	1996	1998	2000	2002	2004	2006	2008	2010	2012	2014	2016	2018	2020	2022	2024	2026	2028	2030	2032	2034	2036	2038	2040	2042	2044	2046	2048	2050	2052	2054	2056	2058	2060	2062	2064	2066	2068	2070	2072	2074	2076	2078	2080	2082	2084	2086	2088	2090	2092	2094	2096	2098	2100	2102	2104	2106	2108	2110	2112	2114	2116	2118	2120	2122	2124	2126	2128	2130	2132	2134	2136	2138	2140	2142	2144	2146	2148	2150	2152	2154	2156	2158	2160	2162	2164	2166	2168	2170	2172	2174	2176	2178	2180	2182	2184	2186	2188	2190	2192	2194	2196	2198	2200	2202	2204	2206	2208	2210	2212	2214	2216	2218	2220	2222	2224	2226	2228	2230	2232	2234	2236	2238	2240	2242	2244	2246	2248	2250	2252	2254	2256	2258	2260	2262	2264	2266	2268	2270	2272	2274	2276	2278	2280	2282	2284	2286	2288	2290	2292	2294	2296	2298	2300	2302	2304	2306	2308	2310	2312	2314	2316	2318	2320	2322	2324	2326	2328	2330	2332	2334	2336	2338	2340	2342	2344	2346	2348	2350	2352	2354	2356	2358	2360	2362	2364	2366	2368	2370	2372	2374	2376	2378	2380	2382	2384	2386	2388	2390	2392	2394	2396	2398	2400	2402	2404	2406	2408	2410	2412	2414	2416	2418	2420	2422	2424	2426	2428	2430	2432	2434	2436	2438	2440	2442	2444	2446	2448	2450	2452	2454	2456	2458	2460	2462	2464	2466	2468	2470	2472	2474	2476	2478	2480	2482	2484	2486	2488	2490	2492	2494	2496	2498	2500	2502	2504	2506	2508	2510	2512	2514	2516	2518	2520	2522	2524	2526	2528	2530	2532	2534	2536	2538	2540	2542	2544	2546	2548	2550	2552	2554	2556	2558	2560	2562	2564	2566	2568	2570	2572	2574	2576	2578	2580	2582	2584	2586	2588	2590	2592	2594	2596	2598	2600	2602	2604	2606	2608	2610	2612	2614	2616	2618	2620	2622	2624	2626	2628	2630	2632	2634	2636	2638	2640	2642	2644	2646	2648	2650	2652	2654	2656	2658	2660	2662	2664	2666	2668	2670	2672	2674	2676	2678	2680	2682	2684	2686	2688	2690	2692	2694	2696	2698	2700	2702	2704	2706	2708	2710	2712	2714	2716	2718	2720	2722	2724	2726	2728	2730	2732	2734	2736	2738	2740	2742	2744	2746	2748	2750	2752	2754	2756	2758	2760	2762	2764	2766	2768	2770	2772	2774	2776	2778	2780	2782	2784	2786	2788	2790	2792	2794	2796	2798	2800	2802	2804	2806																																																																																																																													
Dec	0.12	1.4	0.00	25.1	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	2

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